Rustenburg Local Municipality
Annual Financial Statements
for the year ended 30 June 2017

General Information

Legal form of entity	Municipality (MFMA)
Mayoral committee	
Executive Mayor	Khunou, M
	Mabale-Huma, S (Speaker)
	Mataboge, A (Single-Whip)
Councillors	Xatasi, M (MMC: Community Development)
	Babe, N (MMC: Corporate Support Services)
	Kombe, O (MMC: Local Economic Development)
	Kgaladi, L (MMC: Technical and Infrastructure Services)*
	Makhaula, V (MMC: Planning and Human Settlement)
	Wolmarans, S (MMC: Integrated Development Planning)*
	Molubi, J (MMC: Intergovernmental Relations)
	Mashishi, J (MMC: Roads and Transport)
	Mhlungu, M (MMC: Public Safety)*
	Lekoro, B (MMC: Budget and Treasury)*
	There was a change in the Mayoral committee during the year; the following councillors served as follows prior to the change:
	Lekoro, B (MMC: Integrated Development Planning)
	Kgaladi, L (MMC: Public Safety)
	Mhlungu, M (Budget and Treasury)
	Wolmarans, S (MMC: Technical and Infrastructure Services)
Capacity	High Capacity
Accounting Officer	Ms Nqobile Sithole
Chief Financial Officer	Maposa, K
Registered office	Missionary Mpheni House Cnr, Nelson Mandela & Beyers Naude Drives Rustenburg 0299
Postal address	P O Box 16 Rustenburg 0300
Bankers	ABSA BANK
Auditors	Auditor-General of South Africa (AGSA)

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018, notwithstanding the current liquidity position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements will be examined by the municipality's external auditors and their report will be presented on page TBC.

The annual financial statements set out on pages 4 to 103, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017.

Ms Nqobile Sithole
Municipal Manager

Statement of Financial Position as at 30 June 2017

Figures in Rand thousand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	12	142 291	138 681
Finance lease receivables	8	132	101
Operating lease asset	9	169	202
Receivables from exchange transactions	13&16	403 306	375 583
Receivables from non-exchange transactions	14&16	52 855	44 464
VAT receivable	15	80 886	23 400
Cash and cash equivalents	17	57 614	226 202
		737 253	**808 633**
Non-Current Assets			
Investment property	3	198 018	207 254
Property, plant and equipment	4	8 078 626	7 978 543
Intangible assets	5	530	608
Heritage assets	6	119	119
Investments	7	852	802
Finance lease receivables	8	2 217	2 348
		8 280 362	**8 189 674**
Total Assets		**9 017 615**	**8 998 307**
Liabilities			
Current Liabilities			
Other financial liabilities	20	26 987	24 294
Finance lease obligation	18	-	6 755
Operating lease liability	9	1	6
Payables from exchange transactions	22	807 059	702 471
Consumer deposits	23	49 745	41 174
Employee benefit obligation	10	5 366	4 901
Unspent conditional grants and receipts	19	51 742	293 737
Provisions	21	43 824	40 662
		984 724	**1 114 000**
Non-Current Liabilities			
Other financial liabilities	20	448 240	475 296
Employee benefit obligation	10	184 831	194 297
Provisions	21	125 583	119 231
		758 654	**788 824**
Total Liabilities		**1 743 378**	**1 902 824**
Net Assets		**7 274 237**	**7 095 483**
Accumulated surplus		**7 274 237**	**7 095 483**

* See Note 46

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	2 606 670	2 210 989
Rental of facilities and equipment	25	9 321	9 047
Interest received from trading activities		211 829	143 784
Agency services		18 975	18 572
Licences and permits		10 584	10 651
Other income	26	29 526	30 001
Interest received (other)	27	15 227	32 112
Total revenue from exchange transactions		**2 902 132**	**2 455 156**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	306 996	283 411
Transfer revenue			
Government grants & subsidies	30	989 415	1 136 578
Fines, Penalties and Forfeits		5 811	25 568
Total revenue from non-exchange transactions		**1 302 222**	**1 445 557**
Total revenue		**4 204 354**	**3 900 713**
Expenditure			
Employee related costs	31	(600 721)	(610 482)
Remuneration of councillors	32	(31 420)	(28 318)
Depreciation and amortisation	33	(304 978)	(381 348)
Impairment loss	34	(470 903)	(458 069)
Finance costs	35	(51 109)	(54 512)
Lease rentals on operating lease		(11 321)	(8 741)
Collection costs		(11 573)	(15 265)
Repairs and maintenance		(69 949)	(77 417)
Bulk purchases	36	(2 138 676)	(1 758 850)
Contracted services	37	(180 076)	(158 292)
Transfers and Subsidies	29	(50 699)	(45 962)
General Expenses	38	(144 867)	(176 835)
Total expenditure		**(4 066 292)**	**(3 774 091)**
Operating surplus		**138 062**	**126 622**
Gain on disposal of assets		4 042	6 132
Fair value adjustments	39	6	57
Actuarial gains	10&21	36 641	743
		40 689	**6 932**
Surplus for the year		**178 751**	**133 554**

* See Note 46

Statement of Changes in Net Assets

Figures in Rand thousand	Accumulated surplus	Total net assets
Opening balance as previously reported	6 803 116	6 803 116
Adjustments		
Correction of errors	158 820	158 820
Balance at 01 July 2015 as restated*	**6 961 936**	**6 961 936**
Changes in net assets		
Surplus for the year - Previously reported	177 936	177 936
Total changes	177 936	177 936
Restated balance before adjustments	7 139 872	7 139 872
Adjustments		
Correction of errors	(44 386)	(44 386)
Balance at 01 July 2016 as restated*	**7 095 486**	**7 095 486**
Changes in net assets		
Surplus for the year	178 751	178 751
Total changes	178 751	178 751
Balance at 30 June 2017	**7 274 237**	**7 274 237**

See Note 46 for prior period adjustments

* See Note 46

Cash Flow Statement

Figures in Rand thousand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		2 848 489	2 487 736
Grants		989 415	1 136 578
Interest income		227 062	175 953
Other receipts		82 562	66 963
		4 147 528	3 867 230
Payments			
Employee costs		(631 628)	(608 508)
Suppliers		(2 666 019)	(2 301 956)
Other payments		(533 974)	(528 037)
		(3 831 621)	(3 438 501)
Net cash flows from operating activities	41	**315 907**	**428 729**
Cash flows from investing activities			
Purchase of property, plant and equipment		(417 823)	(612 931)
Proceeds from sale of property, plant and equipment		15 603	16 435
Net cash flows from investing activities		**(402 220)**	**(596 496)**
Cash flows from financing activities			
Repayment of other financial liabilities		(75 187)	(75 187)
Finance lease payments		(7 040)	(9 387)
Realisation of financial assets		(48)	136
Net cash flows from financing activities		**(82 275)**	**(84 438)**
Net decrease in cash and cash equivalents		**(168 588)**	**(252 205)**
Cash and cash equivalents at the beginning of the year		226 202	478 407
Cash and cash equivalents at the end of the year	17	**57 614**	**226 202**

* See Note 46

Statement of Comparison of Budget and Actual Amounts

Figures in Rand thousand	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance				
Revenue				
Revenue from exchange transactions				
Service charges	**2 952 778**	2 606 670	**(346 108)**	55
Rental of facilities and equipment	**10 082**	9 321	**(761)**	
Interest received from trading activities	**196 047**	211 829	**15 782**	
Agency services	**19 277**	18 975	**(302)**	
Licences and permits	**8 591**	10 584	**1 993**	55
Other income	**17 575**	29 526	**11 951**	55
Interest received (other)	**15 193**	15 227	**34**	
Total revenue from exchange transactions	**3 219 543**	**2 902 132**	**(317 411)**	
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	**300 115**	306 996	**6 881**	
Transfer revenue				
Government grants & subsidies	**609 026**	989 415	**380 389**	55
Fines, Penalties and Forfeits	**1 614**	5 811	**4 197**	55
Total revenue from non-exchange transactions	**910 755**	**1 302 222**	**391 467**	
Total revenue	**4 130 298**	**4 204 354**	**74 056**	
Expenditure				
Personnel	**(587 930)**	(600 721)	**(12 791)**	
Remuneration of councillors	**(30 837)**	(31 420)	**(583)**	
Depreciation and amortisation	**(398 577)**	(304 978)	**93 599**	55
Impairment loss	**(386 643)**	(470 903)	**(84 260)**	55
Finance costs	**(42 281)**	(51 109)	**(8 828)**	55
Lease rentals on operating lease	**(11 582)**	(11 321)	**261**	
Collection costs	**(9 301)**	(11 573)	**(2 272)**	55
Repairs and maintenance	**(168 388)**	(69 949)	**98 439**	55
Bulk purchases	**(2 082 000)**	(2 138 676)	**(56 676)**	
Contracted Services	**(320 707)**	(180 076)	**140 631**	55
Transfers and Subsidies	**(19 749)**	(50 699)	**(30 950)**	55
General Expenses	**(76 702)**	(144 867)	**(68 165)**	55
Total expenditure	**(4 134 697)**	**(4 066 292)**	**68 405**	
Operating surplus	**(4 399)**	**138 062**	**142 461**	
Gain on disposal of assets	**1 358**	4 042	**2 684**	
Fair value adjustments	**-**	6	**6**	
Actuarial gains	**-**	36 641	**36 641**	
	1 358	**40 689**	**39 331**	
Surplus before taxation	**(3 041)**	**178 751**	**181 792**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(3 041)**	**178 751**	**181 792**	

The accounting policies on pages 9 to 37 and the notes on pages 38 to 103 form an integral part of the annual financial statements.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and section 122(3) of the Municipal Finance Management Act (Act 56 of 2003) , including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, rounded off to the nearest thousand Rand, which is the municipality's functional currency.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. The management of the municipality has performed a detailed assessment of the going concern assumption taking into account the current liquidity position, revenue enhancement strategy and cash flow forecast into 2018.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade Receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated based on an assessment of the extent to which trade receivables have defaulted on payments already due, and an assessment of their ability to make payments based on the history of payments made for municipal services over the last twelve months. This was performed per significant trade receivables (balances of R1 million and above) first, then for municipal owned accounts and the remaining balances are assessed per surbub. Trade receivables that are owing for more than 90 days are impaired in full unless there is objective evidence that the payment trend of specific receivables is likely to improve.

Allowance for slow moving, damaged and obsolete stock

An allowance / provision to write down stock to the lower of cost or net realisable value is made. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their conditions will be at that time. It is a subjective estimate based on management's experience.

Post - employment medical benefits

The cost of post - employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future medical fund contributions increases and mortality rates. Due to the long - term nature of these plans, such estimates are subject to significant uncertainty.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or
- administrative purposes or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	20 - 30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

Accounting Policies

1.4 Investment property (continued)

- All properties held to earn market related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation).
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality) and a building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of investment property and shall be classified as property, plant and equipment, inventory or non-current assets held for sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale.
- Property being constructed or developed on behalf of third parties.
- Property that is being constructed or developed for future use as investment property.
- Properties that is leased to another entity under a finance lease.
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income facilities, etc.
- Property held for strategic purposes or service delivery.
- Property being constructed or developed on behalf of third parties.
- Owner-occupied property, including (among other things) property held for future use as owner-occuped property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment whenever it it possible to reliably differentiate between the different components.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Accounting Policies

1.5 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Similarly, land is not depreciated and it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets and commences when an asset is ready for its intended used.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Roads	Straight line	30
Paving	Straight line	20
Electricity	Straight line	20 - 30
Water	Straight line	15 - 20
Sewerage	Straight line	20 - 30
Housing	Straight line	30
Buildings	Straight line	30
Other vehicles	Straight line	5
Office equipment	Straight line	7
Computer Equipment & Software	Straight line	5
Specialist vehicles	Straight line	7
Security	Straight line	5
Furniture and fittings	Straight line	7
Bins and containers	Straight line	10
Specialised plant and equipment	Straight line	15
Other items of plant and equipment	Straight line	5
Landfill sites	Straight line	20
Buildings	Straight line	30
Recreational Facilities	Straight line	20 - 30

1.5 Property, plant and equipment (continued)

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and us recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

The useful life and residual value of assets are assessed annually to determine the appropriateness of management's initial estimate. If the expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Accounting Policies

1.6 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Useful life
Licenses and franchises	Straight line	3 years
Computer software, other	Straight line	3 years

Intangible assets are derecognised:
- on disposal
- when no future economic benefits or service potential are expected from its use or disposal

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Accounting Policies

1.8 Investments

In the municipality's separate annual financial statements, investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or

1.9 Financial instruments (continued)

- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

1.9 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Receivables from Exchange Transactions	Financial asset measured at amortised cost
Receivables from Non-exchange Transactions	Financial asset measured at amortised cost
Cash and Cash Equivalents	Financial asset measured at fair value
Investment	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Consumer Deposits	Financial liability measured at cost
Payables from Exchange and Non-exchange Transactions	Financial liability measured at amortised cost
Long-term Liabilities	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Accounting Policies

1.9 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.9 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Accounting Policies

1.10 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

The cost of inventories (consumable stores, raw materials, work-in-progress and finished goods) is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each seperately identifiable development. Costs also include a proportion of overhead costs.

Water is regarded as inventory when the municipality purchase water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, in so far as it is stored and controlled in reservoirs at year-end.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

1.12 Impairment of cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.13 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.13 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Impairment of non-cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.14 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

1.14 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.14 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.15 Provisions and contingencies (continued)

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the management of the entity, supplemented by the experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this is unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44 to anable users to determine the risk involved.

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurance or non-occurence of one or more uncertain future events not wholly within the control of the entity.

A Contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets thay arise from past events and whose existence will be confirmed only by an occurance or non-occurance of one or more uncertain future events not wholly within the control of the entity.

1.16 Capital Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of resources/cash.

Capital commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.17 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Rendering of services

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

1.18 Revenue from non-exchange transactions (continued)

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.18 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. A composite rating system charging different rate tarrifs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Collection charges are recognised when such amounts are legally enforceable (property rates). Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rate revenue already recognised are processed or additional rates revenue is recognised.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

The municipality has two types of fines, spot fines and summonses. The municipality recognise the full amount of revenue at the transaction date. Subsequent to initial ecognition and measurement, the municipality assess the collectability of the revenue and recognise an impairment loss.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Goverment Grants and other grants

Equitable share allocation are recognised in revenue at the start of the financial year if no time-based restrictions exist. Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The muniipality assesses the degree of certainty attached to the flow of future economic benefits or service potential based onthe available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

When government remit grants on a reimbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

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Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

If goods in kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Budget information

Municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.25 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager

Related party relationships are disclosed regardless if any transactions took place between the parties during the reporting period.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Figures in Rand thousand 2017 2016

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Expected impact: The impact of the amendment is not material
• GRAP 20: Related parties	01 April 2017	Expected impact: The impact of the amendment is not material
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2018	Expected impact: The impact of the amendment is not material
• GRAP 109: Accounting by Principals and Agents	01 April 2017	Expected impact: The impact of the amendment is not material
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2018	Expected impact: The impact of the amendment is not material
• GRAP 18: Segment Reporting	01 April 2017	Expected impact: The impact of the amendment is not material
• GRAP 34: Seperate Financial Statements	01 April 2017	Expected impact: The impact of the amendment is not material
• GRAP 35: Consolidated Financial Statements	01 April 2017	Expected impact: The impact of the amendment is not material
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2017	Expected impact: The impact of the amendment is not material
• GRAP 37: Joint Arrangements	01 April 2017	Expected impact: The impact of the amendment is not material
• GRAP 38: Disclosure of interests in Other Entities	01 April 2017	Expected impact: The impact of the amendment is not material
• GRAP 110: Living and Non-living Resources	01 April 2017	Expected impact: The impact of the amendment is not material
• GRAP 12: (as amended 2016): Inventories	01 April 2018	Expected impact: The impact of the amendment is not material
• GRAP 27: (as amended 2016): Agriculture	01 April 2018	Expected impact: The impact of the amendment is not material

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 31: (as amended 2016): Intangible Assets	01 April 2018	Expected impact: The impact of the amendment is not material
• GRAP 103: (as amended 2016): Heritage Assets	01 April 2018	Expected impact: The impact of the amendment is not material
• GRAP 106: (as amended 2016): Transfer of Functions Between Entities Not Under Common Control	01 April 2018	Expected impact: The impact of the amendment is not material
• GRAP 110: (as amended 2016): Living and Non-living Resources	01 April 2018	Expected impact: The impact of the amendment is not material
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Expected impact: The impact of the amendment is not material
• GRAP 108: Statutory Receivables	01 April 2017	Expected impact: The impact of the amendment is not material
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2017	Expected impact: The impact of the amendment is not material
• IGRAP 17: Service Concession Arrangements where a grantor controls a significant residual interest in an asset	01 April 2017	Expected impact: The impact of the amendment is not material
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Expected impact: The impact of the amendment is not materialt
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	Expected impact: The impact of the amendment is not material

3. Investment property

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	306 354	(108 336)	198 018	306 354	(99 100)	207 254

Reconciliation of investment property - 2017

	Opening balance	**Depreciation**	**Total**
Investment property	207 254	(9 236)	198 018

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

3. Investment property (continued)

Reconciliation of investment property - 2016

	Opening balance	Transfers received	Transfers	Depreciation	Total
Investment property	314 509	24 422	(123 426)	(8 251)	207 254

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposals.

Figures in Rand thousand

4. Property, plant and equipment

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	1 165 304	-	1 165 304	1 165 304	-	1 165 304
Buildings	1 448 039	(892 071)	555 968	1 431 844	(794 204)	637 640
Plant and machinery	48 554	(39 906)	8 648	48 537	(36 895)	11 642
Furniture and fixtures	19 641	(14 507)	5 134	19 253	(13 180)	6 073
Motor vehicles	65 331	(47 626)	17 705	81 835	(53 973)	27 862
Office equipment	57 196	(41 339)	15 857	55 165	(32 074)	23 091
Bins and containers	3 533	(2 032)	1 501	3 533	(1 825)	1 708
Other	2 814	(2 153)	661	2 814	(2 028)	786
Electrical Equipment	6 777	-	6 777	11 244	-	11 244
Emergency Equipment	3 668	(3 201)	467	3 668	(3 088)	580
Specialised vehicles	42 030	(26 010)	16 020	47 862	(26 148)	21 714
Infrastructure - Sewerage	997 517	(507 816)	489 701	997 517	(496 938)	500 579
Infrastructure - Electricity	1 217 383	(551 308)	666 075	1 157 768	(509 381)	648 387
Infrastructure - Roads and Transport	4 142 317	(2 084 433)	2 057 884	4 033 979	(1 971 477)	2 062 502
Infrastructure - Water	1 165 222	(726 882)	438 340	1 159 416	(710 653)	448 763
Work in progress	2 632 584	-	2 632 584	2 410 668	-	2 410 668
Total	**13 017 910**	**(4 939 284)**	**8 078 626**	**12 630 407**	**(4 651 864)**	**7 978 543**

Figures in Rand thousand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	1 165 304	-	-	-	-	-	-	1 165 304
Buildings	637 640	16 195	-	-	-	(95 675)	(2 192)	555 968
Plant and machinery	11 642	19	(1)	-	-	(3 009)	(3)	8 648
Furniture and fixtures	6 073	389	-	-	-	(1 284)	(44)	5 134
Motor vehicles	27 862	3 236	(6 077)	-	-	(7 135)	(181)	17 705
Office equipment	23 091	2 309	(149)	-	-	(9 308)	(86)	15 857
Bins and containers	1 708	-	-	-	-	(207)	-	1 501
Other	786	-	-	-	-	(125)	-	661
Electrical Equipment	11 244	-	-	-	(4 467)	-	-	6 777
Emergency Equipment	580	-	-	-	-	(113)	-	467
Specialised vehicles	21 714	-	(858)	-	-	(3 554)	(1 282)	16 020
Infrastructure - Sewerage	500 579	-	-	-	-	(10 664)	(214)	489 701
Infrastructure - Electricity	648 387	59 615	-	-	-	(37 537)	(4 390)	666 075
Infrastructure - Roads and Transport	2 062 502	108 338	-	-	-	(112 956)	-	2 057 884
Infrastructure - Water	448 763	5 806	-	-	-	(14 099)	(2 130)	438 340
Work in progress	2 410 668	411 869	-	(189 953)	-	-	-	2 632 584
	7 978 543	**607 776**	**(7 085)**	**(189 953)**	**(4 467)**	**(295 666)**	**(10 522)**	**8 078 626**

Figures in Rand thousand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Reclassification to investment property	Other changes, movements	Depreciation	Total
Land	1 169 628	926	(5 250)	-	-	-	-	1 165 304
Buildings	708 182	56 065	-	-	(24 422)	-	(102 185)	637 640
Plant and machinery	20 145	-	(1 832)	-	-	-	(6 671)	11 642
Furniture and fixtures	7 082	373	(2)	-	-	-	(1 380)	6 073
Motor vehicles	36 444	-	(884)	-	-	-	(7 698)	27 862
Office equipment	30 676	770	(107)	-	-	-	(8 248)	23 091
Bins and containers	2 011	-	-	-	-	-	(303)	1 708
Other	1 116	-	-	-	-	-	(330)	786
Electrical Equipment	13 464	-	-	-	-	(2 220)	-	11 244
Emergency Equipment	1 268	-	-	-	-	-	(688)	580
Specialised vehicles	24 665	-	-	-	-	-	(2 951)	21 714
Infrastructure - Sewerage	348 327	181 955	-	-	-	-	(29 703)	500 579
Infrastructure - Electricity	687 381	4 001	-	-	-	-	(42 995)	648 387
Infrastructure - Roads and Transport	1 947 751	230 122	-	-	-	-	(115 371)	2 062 502
Infrastructure - Water	420 211	83 043	-	-	-	-	(54 491)	448 763
Work in progress	2 354 992	610 994	-	(555 318)	-	-	-	2 410 668
	7 773 343	**1 168 249**	**(8 075)**	**(555 318)**	**(24 422)**	**(2 220)**	**(373 014)**	**7 978 543**

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

4. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Buildings	3 514	4 308
Electrical Equipment	70	12 399
Emergency Equipment	80	-
Furntiure and Fixtures	38	4
Infrastructure - Electricity	11 869	2 047
Infrastructure - Roads	27 672	15 047
Infrastructure - Sewerage	1 398	6 827
Infrastructure - Water	10 243	13 869
Land	10 118	6 008
Office equipment	922	1 359
Other	51	128
Plant and Machinery	3 974	15 421
	69 949	**77 417**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Work in progress consists of buildings and infrastructure.

5. Intangible assets

	2017			2016		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	3 019	(2 489)	530	3 019	(2 411)	608

Reconciliation of intangible assets - 2017

	Opening balance	**Amortisation**	**Total**
Computer software, other	608	(78)	530

Reconciliation of intangible assets - 2016

	Opening balance	**Amortisation**	**Total**
Computer software, other	706	(98)	608

Other information

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance.

All of the municipality's Intangible Assets are held under freehold interest and no intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipalty.

Figures in Rand thousand	2017	2016

6. Heritage assets

	2017			2016		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Jewellery	119	-	119	119	-	119

Reconciliation of heritage assets 2017

	Opening balance	**Total**
Jewellery	119	119

Reconciliation of heritage assets 2016

	Opening balance	**Total**
Jewellery	119	119

7. Investments

Name of company	**Held by**	**% holding 2017**	**% holding 2016**	**Carrying amount 2017**	**Carrying amount 2016**
Listed Shares - 13271 Sanlam Shares		- %	- %	851	801
Unlisted - Investment in Municipal Entity		100,00 %	100,00 %	1	1
				852	**802**

Detail

Market value of listed investment is R851 (2016: R801)

8. Finance lease receivables

Present value of minimum lease payments due		
- within one year	132	101
- in second to fifth year inclusive	927	755
- later than five years	1 290	1 593
	2 349	**2 449**

Non-current assets	2 217	2 348
Current assets	132	101
	2 349	**2 449**

Leasing Arrangements:

A finance lease was granted to the entity (RWST) for sewerage plant transferred by the municipality to the RWST. The lease is repayable over twenty years, in half yearly payments at the end of June and December, with the last instalment due on 30 June 2025. The interest rate implicit in the lease is 11%. All leases are denominated in Rand Currency Unit.

Management of the municipality is of the opinion that the carrying value of finance lease receivables recorded at amortised cost in the annual financial statements approximate their fair values.

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

9. Operating lease asset (liability)

Current assets	169	202
Current liabilities	(1)	(6)
	168	**196**

Operating leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of non-cancellable operating leases the following assets have been recognised:

Balance at beginning of year	202	221
Operating lease revenue recorded	(33)	(19)
Subtotal	169	202
	169	**202**

Balance at beginning of year	(6)	(8)
Operating lease payable effected	5	2
Subtotal	(1)	(6)
	(1)	**(6)**

Leasing Arrangements

The Municipality as Lessor:
Operating Leases relate to Property and Equipment owned by the municipality with lease terms of between 1 to 25 years with yearly escalation rates of between 5% - 12%.

The Municipality as a Lessee
Operating Leases relates to Property leased by the municipality with a lease term of 5 years with yearly escalation of 5%.

Amounts receivable under Operating Leases

At the reporting date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

9. Operating lease asset (liability) (continued)

Up to 1 year	161	155
2 to 5 years	220	348
More than 5 years	47	80
Subtotal	428	583
	428	**583**

Total Operating Lease Arrangements

The impact of charging the escalations in Operating Leases on a straight-line basis over the lease through the Statement of Financial Performance is an increase in current year income of R33 (2016: R19)

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

Amounts payable under Operating Leases
At the reporting date the following minimum lease payments were payable under non-cancellable operating leases for property, plant and equipment which are payable as follows:

Figures in Rand thousand	2017	2016
Up to 1 year	10	59
2 to 5 years	-	10
Subtotal	10	69
	10	**69**

Total Operating Lease Arrangements

The impact of charging the escalations in Operating Leases on a straight-line basis over the lease through the Statement of Financial Performance is a increase in current year expenditure of R5 (2016: R3)

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

10. Employee benefit obligations

Defined benefit plan

Post-retirement Health Care Benefits Liability

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	1 329	1 358
In-service Non-members (Employees)	423	458
Continuation Members (Retirees, widowers and orphans)	131	125
	1 883	**1 941**

The liability in respect of past		
In-service Members	116 355	118 549
Continuation Members	60 208	66 292
In-service: Non members	13 634	14 357
	190 197	**199 198**

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:
- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation	(190 197)	(199 198)
Non-current liabilities	(184 831)	(194 297)
Current liabilities	(5 366)	(4 901)
	(190 197)	**(199 198)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	199 198	178 274
Benefits paid	(4 731)	(4 305)
Net (income) / expense recognised in the statement of financial performance	(4 270)	25 229
	190 197	**199 198**

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

10. Employee benefit obligations (continued)

Net (income) / expense recognised in the statement of financial performance

Current service cost	11 659	10 496
Interest cost	18 671	15 893
Actuarial gains	(34 600)	(1 160)
	(4 270)	**25 229**

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

10. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,72 %	9,49 %
Health Care Cost Inflation Rate	8,00 %	8,52 %
Net Effective Discount Rate - Health care cost inflation	1,60 %	0,89 %
Maximum Subsidy Inflation Rate	5,63 %	6,01 %
Net Effective Discount Rate - Maximum subsidy inflation rate	3,88 %	3,28 %

The basis on which the discount rate has been determined is as follow:
GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 9.72% per annum has been used. The corresponding index linked yield at this term is 2.56%. These rates do not reflect any adjustment for taxation. These rates were deducted from the JSE Zero Coupon bond yield after the market close on 30 June 2017.

These rates are calculated by using a liability-weighted average of the yields for the three components of the liability. Each component’s fixed-interest and index-linked yields were taken from the bond yield curve at that component’s duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

Expected Retirement Age		
Expected Retirement Age - Female	63	63
Expected Retirement Age - Males	63	63
	-	-

Other assumptions

Amounts for the current and previous four years are as follows

	30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017
Accrued liability	139 401	171 215	178 274	199 198	190 197

Sensitivity Analysis on Current-service and interest cost for the year ending 30 June 2017	Current-service cost	Interest cost	Total
Central Assumptions	11 659	18 671	30 330
Health care inflation (+1%)	12 842	20 010	32 852
Health care inflation (-1%)	9 986	16 919	26 905
Discount rate (+1%)	9 423	17 685	27 108
Discount rate (-1%)	14 611	19 739	34 350
Post-retirement mortality (-1 year)	12 026	19 299	31 324
Average retirement age (-1 year)	12 669	19 837	32 506
Continuation of membership at retirement	10 220	17 136	27 356
	-	-	-

Sensitivity Analysis on the Accrued Liability - Assumptions & Change for the year ending 30 June 2017	In-service	Continuation	Total
Central Assumptions	129 989	60 208	190 197
Health care inflation (+1%)	140 030	62 017	202 047
Health care inflation (-1%)	115 999	57 858	173 857
Discount rate (+1%)	108 406	55 616	164 022
Discount rate (-1%)	157 714	65 522	223 236
Post-retirement mortality (-1 years)	133 607	62 375	195 982

Figures in Rand thousand		2017	2016

10. Employee benefit obligations (continued)

Average retirement age (-1 years)	141 547	60 208	201 755
Continuation of membership at retirement (-10%)	114 659	60 208	174 867
	-	-	-

Expected contributions for the year ending 30 June 2018 is R5 366.

11. Multi-Employer Retirement Benefit Information

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Fund and the Municipal Gratuity Fund are defined contribution plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

(i) The assets of each fund are held in one portfolio and are not nationally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

Municipal Councillors Pension Fund:
The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Joint Pension Fund:
Municipal Joint Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (7.5%) and Council (22,00%) is sufficient to fund the benefits accruing from the fund in the future.

National Fund for Municipal Workers - Pension Fund:
National Fund for Municipal Workers operates as a defined contribution scheme. The contribution rate paid by the members (7.5%) and Council (22,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Employees Pension Fund:
The Municipal Employees Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (7.5%) and Council (22,00%) is sufficient to fund the benefits accruing from the fund in the future.

12. Inventories

	2017	2016
Consumable stores	18 445	14 717
Water	419	537
Unsold Properties Held for Resale	123 427	123 427
	142 291	**138 681**

Inventories recognised as an expense during the year	396 600	275 559

Consumables stores consists of maintenance materials and spare parts.

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

13. Receivables from exchange transactions

Other debtors	13 308	13 308
Consumer debtors - Electricity	155 850	294 482
Consumer debtors - Water	87 530	43 596
Consumer debtors - Sewerage	34 379	8 131
Consumer debtors - Refuse	27 652	7 279
Consumer debtors - Other	84 587	8 787
	403 306	**375 583**

Fair value of trade and other receivables from exchange transactions

Receivables from exchange transactions	403 306	375 583

Receivables from exchange transactions past due but not impaired

At 30 June 2017, R108 311 (2016: R 34 506) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

2 months past due	108 311	34 506

Receivables from exchange transactions impaired

As of 30 June 2017, Receivables from exchange transactions of R 2 958 760 (2016: R 2 433 626) were impaired and provided for. The amount of the provision was R 525 134 for 2017 (2016: R 357 815)

Reconciliation of provision for impairment of receivables from exchange transactions

Opening balance	2 433 626	2 075 811
Provision for impairment	493 223	357 815
	2 926 849	**2 433 626**

14. Receivables from non-exchange transactions

Fines	4 113	5 046
Payments made in advance	3 002	3 002
Short-term Loans	4 760	4 185
Sundry Debtors	4 720	10 636
Insurance Claims	683	516
Consumer debtors - Rates	35 577	21 079
	52 855	**44 464**

The average credit period for Receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus two percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

Receivables from non-exchange transactions past due but not impaired

At 30 June 2017, R 5 014 (2016: R 2 275) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

2 months past due	5 014	2 275

Figures in Rand thousand	2017	2016

14. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

The ageing of these is as follows in rates and other receivables:

Current	21 702	13 886
31 - 60 Days	8 860	4 917
61 - 90 Days	5 008	2 276
	7	-

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	208 832	197 076
Provision for impairment	7 587	11 756
	216 419	**208 832**

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

15. VAT receivable

VAT	80 886	23 400

VAT is payable on the receipt basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

Included in the above amount is an amount of R0 (2016: R7 381) that relates to adjustments from SARS for which no transaction breakdown was received to indicate the nature and type of the disallowments relating to transactions. This amount is recorded as a reconciling item till reason for disallowment can be investigated.

Figures in Rand thousand	2017	2016

16. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	251 996	229 911
Consumer debtors - Electricity	631 790	530 315
Consumer debtors - Water	1 023 965	900 084
Consumer debtors - Sewerage	278 294	223 162
Consumer debtors - Refuse	315 429	263 429
Consumer debtors - Other	1 067 369	878 911
	3 568 843	**3 025 812**
Less: Allowance for impairment		
Consumer debtors - Rates	(216 419)	(208 832)
Consumer debtors - Electricity	(475 940)	(235 833)
Consumer debtors - Water	(936 435)	(856 488)
Consumer debtors - Sewerage	(243 915)	(215 031)
Consumer debtors - Refuse	(287 777)	(256 150)
Consumer debtors - Other	(982 782)	(870 124)
	(3 143 268)	**(2 642 458)**
Net balance		
Consumer debtors - Rates	35 577	21 079
Consumer debtors - Electricity	155 850	294 482
Consumer debtors - Water	87 530	43 596
Consumer debtors - Sewerage	34 379	8 131
Consumer debtors - Refuse	27 652	7 279
Consumer debtors - Other	84 587	8 787
	425 575	**383 354**
Included in above is receivables from exchange transactions		
Electricity	155 850	294 482
Water	87 530	43 596
Sewerage	34 379	8 131
Refuse	27 652	7 279
Other	84 587	8 787
	389 998	**362 275**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	35 577	21 079
Net balance	**425 575**	**383 354**
Rates		
Current (0 -30 days)	21 702	13 886
31 - 60 days	8 860	4 917
61 - 90 days	5 008	2 276
> 90 days	7	-
	35 577	**21 079**

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

16. Consumer debtors disclosure (continued)

Electricity		
Current (0 -30 days)	78 514	179 699
31 - 60 days	26 020	88 828
61 - 90 days	5 341	7 963
> 90 days	45 975	17 992
	155 850	**294 482**

Water		
Current (0 -30 days)	47 745	31 653
31 - 60 days	28 186	7 881
61 - 90 days	11 096	4 062
> 90 days	503	-
	87 530	**43 596**

Sewerage		
Current (0 -30 days)	13 506	4 576
31 - 60 days	7 969	2 200
61 - 90 days	6 208	1 355
> 90 days	6 696	-
	34 379	**8 131**

Refuse		
Current (0 -30 days)	10 267	4 169
31 - 60 days	7 116	1 994
61 - 90 days	5 792	1 116
> 90 days	4 477	-
	27 652	**7 279**

Other		
Current (0 -30 days)	20 031	4 439
31 - 60 days	18 989	2 318
61 - 90 days	21 524	2 030
> 90 days	24 043	-
	84 587	**8 787**

Figures in Rand thousand	2017	2016

16. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Households and Other		
Current (0 -30 days)	133 781	119 760
31 - 60 days	74 338	76 114
61 - 90 days	59 785	61 956
> 90 days	2 753 601	2 227 387
	3 021 505	2 485 217
Less: Allowance for impairment	(2 744 843)	(2 441 899)
	276 662	**43 318**
Industrial/ commercial		
Current (0 -30 days)	182 728	171 933
31 - 60 days	145 419	97 366
61 - 90 days	37 851	12 911
> 90 days	89 385	185 299
	455 383	467 509
Less: Allowance for impairment	(334 238)	(134 835)
	121 145	**332 674**
National and provincial government		
Current (0 -30 days)	19 396	6 161
31 - 60 days	5 506	2 691
61 - 90 days	(9 437)	8 556
> 90 days	76 489	55 678
	91 954	73 086
Less: Allowance for impairment	(64 186)	(65 724)
	27 768	**7 362**
Total debtor past due but not impaired		
2 month older	113 325	36 781

17. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	13	13
Bank balances	35 887	30 236
Short-term deposits	21 714	195 953
	57 614	**226 202**

The management of the municipality is of the opinion that the carrying value of Short Term Deposits, Bank Balances and Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

17. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
Primary Bank Account - ABSA - Main Branch Rustenburg - Account Number 1220000458	14 695	73 178	66 542	21 218	16 145	54 516
Housing Bank Account - ABSA - Main Branch Rustenburg - 4054617192	14 669	14 091	18 553	14 669	14 091	18 553
Total	**29 364**	**87 269**	**85 095**	**35 887**	**30 236**	**73 069**

Figures in Rand thousand	2017	2016
Absa Call Account	3 625	5 498
Absa	4 609	307
Nedbank	-	21 888
Standard Bank	497	61 047
Kagiso Asset Management	5 436	52 547
Sanlam	6 957	54 070
Absa Guarantee Deposits	590	596
Subtotal	21 714	195 953
	21 714	**195 953**

Guarantees

Guarantees reflected above in the Gaurantee deposit of ABSA to the value of R590 (2016:R596) are ceded in favour of third parties.

Financial Guarantee R2 163 (rounded to R'000)
Financial Guarantee - (Local Documented Product - Guarantees) R26 782 (rounded to R'000)

Facilities

Leases (Full maintenance lease) R200 000 (rounded to R'000)

18. Finance lease obligation

	2017	2016
Minimum lease payments due		
- within one year	-	6 755
Present value of minimum lease payments due		
- within one year	-	6 755

Finance Lease Liabilities relates to IT Equipment with lease terms of 36 months. The effective interest rates on Finance Leases is 10%. Capitalised Lease Liabilities are secured over the items of IT equipment leased.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
National Government Grants - Department of Water, Agriculture and Forestry (DWAF)	358	358
National Government Grants - Skills Levy	572	572
National Government Grants - Public Transport Infrastructure System Grant (PTIS)	-	155 914
National Government Grants - Department Minerals and Energy (DME)	-	7 492
National Government Grants - Financial Management Grant (FMG)	-	13
National Goverment Grants - Muncipal Infrastructure Grant (MIG)	405	30 400
National Government Grants - Municipal System Improvement Grant (MSIG)	-	52
Provincial Government Grants - Department of Sports, Arts and Culture (DSAC Library)	2 940	1 458
Provincial Goverment Grants - Housing Project Account	15 306	14 052
Provincial Government Grants - Department Sports, Arts and Culture (DSAC)	35	35
Provincial Government Grants - COGTA	2 031	2 031
Provincial Goverment Grants - Extended Public Works Programme (EPWP)	-	4 835
Provincial Government Grants - LG Seta	162	1 146
Local: BPDM: Cleaning of cemeteries/ LED business plans & other	13	13
Other: Royal Bafokeng: Western By-pass	4 564	4 564
Other: National Lottery	12	12
Other: Seed Funding	422	422
Other	7 544	7 544
Other: EEDG	25	25
Other: Grant Renovation Old Marikana House	7	7
Other: NSCOOP	89	89
National Government Grants - Public Transport Network Grant (PTNG)	-	60 315
National Government Grants - Municipal Water Infrastructure Grant (MWIG)	17 257	2 388
	51 742	**293 737**

See note 30 for reconciliation of grants from National/Provincial Government.

Figures in Rand thousand	2017	2016

20. Other financial liabilities

At amortised cost		
INCA The loan is repayable in equal installments of R4 002 068 at the end of February and August every year, with the final installment payable 29 February 2024. The loan bears interest at 13.82%.	36 801	39 776
ABSA Loan 30-1798-1971 The loan is repayable in installments of R1 447 592 payable at the end of May and November, with the final installment payable 31 May 2020. The loan bears interest at 11.73%.	7 620	9 460
ABSA Loan 30-1798-2317 The loan is repayable in installments of R1 455 506 payable at the end of May and November, with the final installment payable 30/06/2021. The loan bears interest at 11.95%.	9 989	11 559
ABSA Loan 30-2236-2516 The loan is repayable in installments of R1 489 051 payable at the end of May and November, with the final installment payable 30/06/2022. The loan bears interest at 11.96%.	11 014	12 535
DBSA Loan 61007193 The loan is repayble in 6 monthly installments in December and June, with the redemption date of 2 July 2029. The loan bears interest at 9.90%.	271 080	282 488
DBSA Loan 61007264 The loan is repayable in 6 monthly installments in December and June, with the redemption date of 28 June 2030. The loan bears interest at 10.07%.	138 723	143 772
	475 227	**499 590**
Total other financial liabilities	**475 227**	**499 590**

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair value.

Non-current liabilities		
At amortised cost	448 240	475 296
Current liabilities		
At amortised cost	26 987	24 294

Figures in Rand thousand 2017 2016

21. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	130 420	8 569	-	138 989
Long-service Awards	29 473	3 596	(2 651)	30 418
	159 893	**12 165**	**(2 651)**	**169 407**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	123 637	6 783	-	130 420
Long-service Awards	26 888	5 382	(2 797)	29 473
	150 525	**12 165**	**(2 797)**	**159 893**

	2017	2016
Non-current liabilities	125 583	119 231
Current liabilities	43 824	40 662
	169 407	**159 893**

Environmental rehabilitation provision

In terms of the licencing of the landfill refuse site, the municipality will incur licensing and rehabilitation costs of R98 503 to restore the site at the end of its useful life, estimated to be between 2016 and 2055 for Rustenburg Townlands and Waterval landfill site. Provision has been made for the net present value of this cost, using the average cost of borrowig interest rate.

Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable to employees after 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long service based on historical staff turnover. Additional cash/gifts are awarded to employees for levels of past service per the LSA policy.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried at 30 June 2017 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows for the year ended 30 June 2017:
Discount rate - 8.54%
General salary inflation - 6.36%
Net discount rate - 2.05%

The principal assumptions used for the purposes of the actuarial valuations were as follows for the year ended 30 June 2016:
Discount rate - 8.63%
General salary inflation - 7.28%
Net discount rate - 1.26%

Figures in Rand thousand | 2017 | 2016

21. Provisions (continued)

The basis on which the discount rate has been determined is as follow:
GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 8.54% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.54% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 2.54%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2017.

	2017	2016
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Movements in the present value of the Defined Benefit Obligation were as follows		
Balance at the beginning of the year	29 473	26 887
Current service cost	3 207	2 895
Interest cost	2 431	2 070
Actuarial losses / (gains)	(2 041)	418
Employer Benefit Vesting	(2 652)	(2 797)
Present Value of Fund Obligation at the end of the Year	**30 418**	**29 473**
The amount recognised in the Statement of Financial Position are as follows:		
Present value of unfunded obligations	30 418	29 473
The amount recognised in the Statement of Financial Performance are as follows:		
Current service cost	3 207	2 895
Interest cost	2 431	2 070
Actuarial losses / (gains)	(2 041)	418
Total Post-retirement Benefit included in Employee Related Costs	**3 597**	**5 383**

History of liabilities	30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017
Accrued Liability	21 621	24 770	26 887	29 473	30 418

Sensitivity Analysis on Current-service and Interest Costs for the year ending 30 June 2017 - Assumptions & Change	Current-service cost	Interest cost	Total
General assumptions	3 207	2 431	5 637
General salary inflation (+1%)	3 518	2 620	6 137
General salary inflation (-1%)	2 932	2 261	5 193
Discount rate (+1%)	2 953	2 516	5 469
Discount rate (-1%)	3 499	2 325	5 824
Average retirement age (-2yrs)	2 939	2 178	5 117
Average retirement age (+2 yrs)	3 468	2 665	6 133
Withdrawal rates (-50%)	4 366	2 994	7 360
	-	-	-

Sensitivity Analysis on the Unfunded Accrued Liability (in R millions) for the year ended 30 June 2017 - Assumptions & Change	Liability
Central assumptions	30 418

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

21. Provisions (continued)

General salary inflation (+1%)		32 586
General salary inflation (-1%)		28 464
Discount rate (+1%)		28 408
Discount rate (-1%)		32 689
Average retirement age (-2 yrs)		27 437
Average retirement age (+2 yrs)		32 987
Withdrawal rates		37 200
		-

22. Payables from exchange transactions

Trade payables	523 437	394 652
Payments received in advanced	71 420	83 525
Accrued leave pay	40 810	41 786
Accrued bonus	15 739	15 466
Unallocated Deposits	60 290	64 457
Other Creditors	44 636	37 677
Retentions	48 266	62 440
Sundry Deposits	2 461	2 468
	807 059	**702 471**

Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is chanrged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of payables from exchange transactions approximate their fair values.

23. Consumer deposits

Electricity and Water	49 745	41 174

Guarantees

Guarantees held in lieu of electricity and water	30 002	30 030

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair value.

24. Service charges

Sale of electricity	2 032 113	1 701 792
Sale of water	341 497	302 945
Sewerage and sanitation charges	118 305	106 919
Refuse removal	114 755	99 333
	2 606 670	**2 210 989**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

25. Rental of facilities and equipment

Premises		
Rental Revenue from Land	2 267	2 176
Rental Revenue from Halls	1 187	1 149
Rental Revenue from Buildings	4 218	3 958
	7 672	**7 283**
Facilities and equipment		
Rental Revenue from Amenities	1 002	984
Rental Revenue from Other Facilities	647	780
	1 649	**1 764**
	9 321	**9 047**

26. Other income

Building Plan Fees	778	5 099
Bank charges recovered	176	204
Application for clearance certificate	920	723
Service connections	2 033	2 194
Reconnection fees	4 595	7 686
Network upgrade contributions	620	1 968
Cemetery Fees	823	766
Advertising Signs	1 693	1 288
Legal Cost Recovered	1	71
Photocopies	92	110
Tender Documents	499	1 330
Town Planning Fees	15	61
Surplus cash	-	11
Sundry Income	17 145	8 192
Swimming pool fees	136	298
	29 526	**30 001**

27. Interest received - other

Interest revenue		
Investments	14 960	31 836
Finance leases	267	276
	15 227	**32 112**

Figures in Rand thousand	2017	2016

28. Property rates

Rates received

Residential	128 152	123 942
Commercial	148 958	132 036
State	17 577	15 804
Agriculture	12 309	11 629
	306 996	**283 411**

Valuations

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2014. Supplementary valuations are processed on a monthly basis to take into account changes to individual property values due to alterations and subdivisions.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied monthly on property owners and are payable at the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

29. Grants and subsidies paid

Other subsidies		
Community Projects	3 361	2 631
Rustenburg Water Services Trust	47 338	43 331
	50 699	**45 962**

Figures in Rand thousand	2017	2016

30. Government grants and subsidies

Operating grants

Equitable share	451 980	399 145
INEG	-	7 402
National - Financial Management Grant	1 625	1 600
Provincial - Seta: EPWP training	4 219	3 384
Provincial - LG Seta	985	487
	458 809	**412 018**

Capital grants

National: Municipal Infrastructure Grant (MIG)	169 603	202 743
National: Municipal System Inprovement Grant (MSIG)	-	925
Grants from private Org - Housing DPLG	-	6 181
National: Public Transport Network Grant (PTNG)	345 354	492 252
National: Department of Water, Agriculture and Foresty (DWAF)	-	6 775
Provincial: Department of Sports, Arts and Culture (DSAC Library)	518	1 461
National: Municipal Water Infrastructure Grant (MWIG)	15 131	9 612
National: Accelerated Community Infrastructure Program	-	4 611
	530 606	**724 560**
	989 415	**1 136 578**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as the local authority.

National: DWAF

Balance unspent at beginning of year	358	132
Current-year receipts	-	7 000
Conditions met - transferred to revenue	-	(6 774)
	358	**358**

Conditions still to be met - remain liabilities (see note 19).

National: Skills Levy

Balance unspent at beginning of year	572	572

Conditions still to be met - remain liabilities (see note 19).

National: Public Transport Infrastructure

Balance unspent at beginning of year	155 914	349 047
Rollover not allowed	(155 914)	(193 133)
	-	**155 914**

Conditions still to be met - remain liabilities (see note 19).

The grant was received to assist municipalities to create and improve public transport systems in line with the National Land Transport Act (2009) and the Public Transport Strategy. This includes all integrated public transport network infrastructure, such as bus rapid transit systems, conventional bus services and upgrades for pedestrain and cycling infrastructure. It also subsidise the operation of these services.

Figures in Rand thousand	2017	2016

30. Government grants and subsidies (continued)

National: Department Minerals and Energy (DME)

Balance unspent at beginning of year	7 492	4 894
Current-year receipts	-	10 000
Conditions met - transferred to revenue	-	(7 402)
Rollover not allowed	(7 492)	-
	-	**7 492**

Conditions still to be met - remain liabilities (see note 19).

Expenses were incurred to promote rural development and upgrade electricity infrastructure.

National: Financial Management Grant (FMG Grant)

Balance unspent at beginning of year	13	13
Current-year receipts	1 625	1 600
Conditions met - transferred to revenue	(1 625)	(1 600)
Rollover not allowed	(13)	-
	-	**13**

Conditions still to be met - remain liabilities (see note 19).

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA),2003.

National: Municipal Infrastructure Grant (MIG Funds)

Balance unspent at beginning of year	30 400	70 100
Current-year receipts	169 914	202 743
Conditions met - transferred to revenue	(169 603)	(202 743)
Roll over not allowed	(30 306)	(39 700)
	405	**30 400**

Conditions still to be met - remain liabilities (see note 19).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions, to provide for new, rehabilitation and upgrading of municipal infrastructure.

National: Municipal Systems Improvement Grant (MSIG Funds)

Balance unspent at beginning of year	52	47
Current-year receipts	-	930
Conditions met - transferred to revenue	-	(925)
Rollover not allowed	(52)	-
	-	**52**

Conditions still to be met - remain liabilities (see note 19).

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise institutional and governance systems, as required in the Municipal Systems Act (2000) and related legislation.

Provincial: Departmentof Sports, Arts and Culture Grant (DSAC Library)

Balance unspent at beginning of year	1 458	919

Figures in Rand thousand

30. Government grants and subsidies (continued)

Current-year receipts	2 000	2 000
Conditions met - transferred to revenue	(518)	(1 461)
	2 940	**1 458**

Conditions still to be met - remain liabilities (see note 19).

The grant was received to transform rural and urban community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives.

Provincial: Housing Project Account

Balance unspent at beginning of year	14 052	19 033
Current-year receipts	1 254	1 199
Conditions met - transferred to revenue	-	(6 180)
	15 306	**14 052**

Conditions still to be met - remain liabilities (see note 19).

Provincial: Department Sports, Arts and Culture (DSAC)

Balance unspent at end of year	35	35

Conditions still to be met - remain liabilities (see note 19).

Provincial: COGTA

Balance unspent at end of year	2 031	2 031

Conditions still to be met - remain liabilities (see note 19).

The grant was utilised for the maintenance of roads in the jurisdiction area of the municipality.

Provincial: Expanded Public Works Programme Integrated Grant (EPWP)

Balance unspent at beginning of year	4 835	4 835
Current-year receipts	4 219	3 384
Conditions met - transferred to revenue	(4 219)	(3 384)
Rollover not allowed	(4 835)	-
	-	**4 835**

Conditions still to be met - remain liabilities (see note 19).

The grant was used to incentivise provincial departments to increase job creation efforts in infrastructure, enviroment and culture programmes through the use of labour -intensive methods and the expansion of job creation in line with the EPWP guidelines.

Provincial: LG Seta

Balance unspent at beginning of year	1 146	514
Current-year receipts	-	1 119
Conditions met - transferred to revenue	(984)	(487)
	162	**1 146**

Conditions still to be met - remain liabilities (see note 19).

Figures in Rand thousand	2017	2016

30. Government grants and subsidies (continued)

This grant was utilised to construct a training centre for pupils of the fire services division.

Local: BPDM: Cleaning of cemeteries / LED Business Plans and other

Balance unspent at end of year	13	13

Conditions still to be met - remain liabilities (see note 19).

This grant is received from district municipalities for the cleaning of cemetries, LED business plans and various other initiatives.

Other: Royal Bafokeng: Western By-pass

Balance unspent at end of year	4 564	4 564

Conditions still to be met - remain liabilities (see note 19).

This grant was received with regards to the Western Bypass at the Royal Bafokeng Stadium, in order to ensure that the bypass made the stadium more accessible during the FIFA 2010 Soccer World Cup.

Other: National Lottery

Balance unspent at end of year	12	12

Conditions still to be met - remain liabilities (see note 19).

This grant was received from National Lottery for the upgrading and maintening of hospice facilities.

Other: Seed Funding

Balance unspent at end of year	422	422

Conditions still to be met - remain liabilities (see note 19).

This grant was utilised for the maintenance of roads in the jurisdiction area of the municipality. No funds have been withheld.

Other

Balance unspent at end of year	7 544	7 544

Conditions still to be met - remain liabilities (see note 19).

Money received from local business in the promoting to various business ventures.

Other: Energy Efficiency and Demand-Side Management Grant

Balance unspent at end of year	25	25

Conditions still to be met - remain liabilities (see note 19).

The grant funds selected municipalities to implement energy-efficiency projects, with a focus on public lighting and energy-efficient municipal infrastructure.

Other: Grant Renovation Old Marikana House

Balance unspent at end of year	7	7

Figures in Rand thousand	2017	2016

30. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 19).

Other: NSCOOP

Balance unspent at end of year	89	89

Conditions still to be met - remain liabilities (see note 19).

National: Public Transport Network Grant (PTNG)

Balance unspent at beginning of year	60 315	-
Current-year receipts	285 039	552 567
Conditions met - transferred to revenue	(345 354)	(492 252)
	-	**60 315**

Conditions still to be met - remain liabilities (see note 19).

National: MWIG

Balance unspent at beginning of year	2 388	-
Current-year receipts	30 000	12 000
Conditions met - transferred to revenue	(15 131)	(9 612)
	17 257	**2 388**

Conditions still to be met - remain liabilities (see note 19).

National: ACIP

Current-year receipts	-	4 611
Conditions met - transferred to revenue	-	(4 611)
	-	**-**

Conditions still to be met - remain liabilities (see note 19).

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

31. Employee related costs

Basic	362 526	350 244
Bonus	27 279	24 381
Medical aid - company contributions	35 302	32 683
UIF	3 199	3 207
WCA	2 666	3 192
SDL	4 905	4 976
Group Life	249	254
Pension	66 121	63 325
Industrial Council Levy	172	159
Other long-term employee benefits: Long-service awards	2 987	2 167
Travel, Motor Car, Accommodation, Subsistance and Other Allowances	21 314	21 059
Housing benefits and allowances	2 339	5 177
Overtime payment	25 411	37 299
Other Employee Cost	10 245	26 368
Defined Benefit Plan Expense	25 600	22 085
	590 315	**596 576**

Remuneration of Municipal Manager

Annual Remuneration	438	1 905
Car Allowance	9	-
Acting Allowance	286	68
Contributions to UIF, Medical and Pension Funds	23	21
	756	**1 994**

Remuneration of Chief Finance Officer

Annual Remuneration	-	1 368
Car Allowance	-	132
Housing Allowance	-	33
Contributions to UIF, Medical and Pension Funds	2	78
Acting Aloowance	370	-
	372	**1 611**

Remuneration of Director: Human Settlements

Acting Allowance	-	218

Remuneration of Director: Community Development

Annual Remuneration	941	1 245
Car Allowance	56	84
Acting Allowance	95	27
Contributions to UIF, Medical and Pension Funds	50	34
	1 142	**1 390**

Remuneration of Director: Corporate Services

Annual Remuneration	1 340	1 337
Contributions to UIF, Medical and Pension Funds	79	79
	1 419	**1 416**

Remuneration of Director: Local Economic Development

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

31. Employee related costs (continued)

Annual Remuneration	825	1 237
Acting Allowance	9	-
Contributions to UIF, Medical and Pension Funds	10	14
	844	**1 251**

Remuneration of Director: Planning and Development

Annual Remuneration	498	1 104
Car Allowance	30	120
Acting Allowance	148	-
Contributions to UIF, Medical and Pension Funds	28	111
	704	**1 335**

Remuneration of Director: Infrastructure Development

Annual Remuneration	629	-
Car Allowance	123	-
Contributions to UIF, Medical and Pension Funds	136	-
Acting Allowances	676	683
	1 564	**683**

Remuneration of Director: Public Safety

Annual Remuneration	1 098	1 135
Car Allowance	84	84
Contributions to UIF, Medical and Pension Funds	67	31
	1 249	**1 250**

Remuneration of Director: Rust Rapid Transport

Contributions to UIF, Medical and Pension Funds	17	15
Acting Allowances	1 494	1 061
	1 511	**1 076**

Remuneration of Chief Operating Officer

Annual Remuneration	795	1 531
Car Allowance	27	108
Contributions to UIF, Medical and Pension Funds	23	43
	845	**1 682**

Total employee related cost	600 721	610 482

32. Remuneration of councillors

Mayor	922	943
Speaker	597	651
Executive Committee Members	6 443	6 885
Chief Whip	589	601
Councillors	20 268	16 271
Company Contributions to UIF, Medical and Pension Funds	2 601	2 967
	31 420	**28 318**

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

33. Depreciation and amortisation

Property, plant and equipment	295 665	373 000
Investment property	9 235	8 250
Intangible assets	78	98
	304 978	**381 348**

34. Impairment of assets

Impairments		
Property, plant and equipment	10 522	-
With the assessments of the usefull life and inspection of the asset conditions impairments were recognised.		
Inventories	899	299
During the inventory count obsolete stock were identified and provided for.		
Trade and other receivables	456 387	441 561
Recoverability of receivables from exchange transactions were assessed and provision for impairments were identified.		
Receivables from non-exchange revenue	3 095	16 209
Recoverability of IGRAP receivables were assessed and provision for impairment were identified.		
	470 903	**458 069**

35. Finance costs

Finance leases	285	1 129
Loans and Payables at amortised cost	50 824	53 383
	51 109	**54 512**

36. Bulk purchases

Electricity	1 743 836	1 413 192
Water	394 840	345 658
	2 138 676	**1 758 850**

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Rand Water and Magalies Water.

37. Contracted services

Training	5 074	4 950
Professional fees	48 555	54 580
Security Services	11 635	13 951
Valuation Services	348	143
Other Contractors	114 464	84 668
	180 076	**158 292**

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

38. General expenses

Advertising	1 084	1 221
Auditors remuneration	7 494	5 876
Bank charges	3 900	4 135
Consulting and professional fees	2 047	2 164
Consumables	1 760	2 212
Entertainment	25	75
Legal costs	5 225	2 156
Hire	1 155	3 503
Insurance	1 727	8 139
Marketing	46	216
Contribution for landfill sites	8 569	6 783
Postage and courier	1 492	1 653
Printing and stationery	11 999	13 287
Subscriptions and membership fees and levies	5 801	5 310
Telephone and fax	5 192	7 354
Transport and freight	19 764	31 965
Travelling Subsistance	686	871
Assets written off	7 086	8 076
Consumption expenditure	16 270	-
Bad Debts written off	-	213
License fees	472	852
Ward committee	2 187	3 947
Printing of license cards	1 910	1 698
AVM Online Vending Service	33 504	30 650
Chemicals	255	594
Other expenses	5 217	33 885
	144 867	**176 835**

The amounts disclosed above for Other Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

39. Fair value adjustments

Other financial assets		
• Other financial assets	6	57

40. Auditors' remuneration

Fees	7 494	5 876

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

41. Cash generated from operations

Surplus	178 751	133 554
Adjustments for:		
Depreciation and amortisation	304 978	381 348
Gain on sale of assets	(4 042)	(6 132)
Fair value adjustments	(6)	(57)
Finance costs	51 109	54 512
Impairment loss	470 903	458 069
Movements in operating lease assets	33	19
Movements in employee benefit obligations	(9 001)	20 924
Movements in provisions	9 514	9 368
Actuaries gains	36 641	743
Changes in working capital:		
Inventory	(3 610)	2 042
Receivables from exchange and non-exchange transactions	(553 881)	(492 314)
Payables from Exchange transactions and other payables	(165 482)	(133 347)
	315 907	**428 729**

42. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	403 306	-	403 306
Receivables from non-exchange transactions	-	52 855	-	52 855
Cash and cash equivalents	57 614	-	-	57 614
Investments	851	-	1	852
Finance lease receivables	-	2 349	-	2 349
	58 465	**458 510**	**1**	**516 976**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	475 227	475 227
Payables from exchange transactions	807 059	807 059
Consumer deposits	49 745	49 745
	1 332 031	**1 332 031**

2016

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	375 583	-	375 583
Receivables from non-exchange transactions	-	44 464	-	44 464
Cash and cash equivalents	226 202	-	-	226 202
Investments	801	-	1	802
Finance lease receivables	-	2 449	-	2 449
	227 003	**422 496**	**1**	**649 500**

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Other financial liabilities	499 590	499 590
Payables from exchange transactions	702 471	702 471
Consumer deposits	41 174	41 174
Finance lease obligation	6 755	6 755
	1 249 990	**1 249 990**

Derivative financial instruments and hedging information

43. Commitments

Commitments in respect of Capital Expenditure

	2017	2016
Already contracted for but not provided for		
• Approved and contracted for:	970 411	1 134 248
Total capital commitments		
Approved and contracted for	970 411	1 070 460

44. Contingencies

Figures in Rand thousand	2017	2016
RLM / Ngake. Unfair dismissal dispute-matter at the labour court for review. Answering affidavit filed, we are due to file our replying papers.	60	-
RLM / Lesley Moleme. Employee referred an unfair dismissal to the bargaining council. The matter is before the bargaining council. Stood down for the employer's further evidence.	80	-
RLM / More. Defending a review application in the Labour Court. In the process of preparing the answering papers.	70	-
RLM / Telkom (4 cases). Telkom is suing Rustenburg for damaging Telkom's fibre optic cables. We have filed the pleas on behalf of Rustenburg and awaiting the plaintiff's discovery affidavits.	80	100
RLM / Taukobong and others. Reviewing the Chairperson's ruling. Founding papers issued.	100	-
Telkom SA / RLM. Action instituted by Telkom for damages sustained due to negligence by employees of RLM in damaging cables of Telkom. A Discovery Affidavit on behalf of RLM was already served and filed on 11/07/2016. Since then, the Plaintiff's attorneys have not taken any steps to file their Discovery Affidavit. The attorneys are not taking any further steps on behalf of RLM to obtain a trial date and are keeping our file in abeyance pending further action by the Plaintiff's attorneys.	8	40
Nehemia Segoe / RLM & Another. Summons issued against RLM for damages sustained as a result of a fire. Exception was granted in favour of RLM and Plaintiff amended his Summons. Awaiting a trial date to be allocated.	15	50
SAMANCOR CHROME LIMITED / RLM. Application for declaratory order that:- (i) The approval of the amendment known as Amended Scheme 2012 of the Rustenburg Land Use Management Scheme, 2005 by RLM as declared in Local Authority Notice 31 as published on 24 March 2015 in the North West Provincial Gazette No. 7421 in terms of section 125 of the Town Planning and Township Ordinance, 1996 be reviewed and set aside. Settlement negotiations were unsuccessful. Applicant set the matter down for hearing on 21 August 2017. Advice provided that high risk in proceeding to oppose the matter. Requested urgent instructions from legal after consultation with counsel and still awaiting same	25	100
AGENCY FOR NEW AGENDA & OTHERS / RLM & OTHERS Urgent High Court Application to order the removal of the Mayor and MM and placing the RLM under administration. Matter successfully opposed on behalf of Council. Costs have been taxed and awaiting return of service from Sheriff regarding warrant in execution against Applicant.	4	20
KEIKO PRODUCTIONS CC & ANOTHER / RLM 1. High Court Application to interdict RLM against taking further steps to invite tenders in relation to BID RLM/OEM/0049/2015/2016 and related relief2. Arbitration proceedings instituted against Council for payment of damages in an amount of R33 282 406.80. In the High Court matter the application was successfully opposed on behalf of Council and the Applicants ordered to pay legal costs. In process of drafting a Bill of Costs for taxation.In Arbitration matter a statement of defence was filed on behalf of Council and awaiting appointment of Arbitrator and date for first pre-arbitration meeting	89	60
SARASCOPE (PTY) LTD & OTHERS / RLM & ANOTHER High Court Application to review and set aside the cancellation of tender RLM/DTIS/0041/201415 – DELIVERY OF WATER TANKS Opposing papers filed on behalf of RLM and awaiting allocation for date of hearing to argue application.	20	60
RLM / LOSABA SERVICES CC Application for Rescission of Judgment to set aside default judgment granted against RLM for the outstanding payment in the amount of R1 381 537-50 to the supply of water tankers in various areas in Rustenburg. Matter set down for hearing on 22 June 2017 and order for rescission of judgement successfully granted. Matter proceeding on defended basis.	50	-

Figures in Rand thousand	2017	2016
44. Contingencies (continued)		
RLM / NOVEL ENTERPRISES Application for Rescission of Judgment to set aside default judgment granted against RLM for the outstanding payment in the amount of R1 891 900-00 to the supply of water tankers in various areas in Rustenburg. Opposing Affidavit filed by Respondent's attorney. The parties agreed to hold this matter over pending finalization of matter of Losaba Services CC to prevent unnecessary costs being incurred. Agreement with Plaintiff's attorney that rescission application will be granted unopposed. Matter will also proceed on defended basis.	50	-
NYAMEZELA CONSULTING ENGINEERS (PTY) LTD / RLM Claim for outstanding payment in the amount of R8 562 087-23 for the electrification of houses at Ikemeleng Informal Settlement (Ward 35) as per Bid no. RLM/DTIS/0003/2012/2013 Matter being defended and notice of exception delivered on particulars of alleged agreement. Awaiting date for allocation of hearing exception.	60	-
ANDRE DU TOIT / RLM Claim in the amount of R420 000-00 in respect injuries sustained as a result of the motor vehicle accident as they alleged that RLM failed to maintain the road at the Waterfall Mall where the road users did not notice that the road has four-way stop. Matter being defended and Plea delivered on behalf of Council.	50	-
BOFFIN & FUNDI (PTY) LTD / RLM Claim in the amount of R2 641 050-42 in respect of services rendered to conduct audit on all properties within the area of jurisdiction of RLM to reconcile with the billing system of RLM. Filed notice of exception to particulars of claim and awaiting answer to same. Plaintiff has not taken any further steps to prosecute the matter.	60	-
EAST RAND WATER CARE COMPANY / RLM Claim in the amount of R1 118 681-95 in respect of services rendered to conduct laboratory service in water when chemical and micro biological analysis are done. Filed notice of exception to particulars of claim. Plaintiff responded by withdrawing the action and tendering costs of the action.	3	-
MARATA GO BONWA TRADING CC / RLM Action in High Court for payment of R671 799.49 for supply of garden services at pump stations and reservoirs. Matter defended and Plea delivered on behalf of RLM. Received confirmation that RLM paid the capital amount directly to Plaintiff. Attorney for Plaintiff intends to proceed with action to also recover interest and legal costs. Such action to be defended on behalf of RLM.	30	-
TSHETSHIBO TRADING KHAWULEZA JOINT VENTURE / RLM High Court Application to compel RLM to comply with contract for BID: RLM/BTO/0097/2014/2015. Application successfully opposed on behalf of RLM and Applicant will have to pay the taxed costs of party/party-scale. Costs have been taxed and awaiting return of service from Sheriff regarding warrant in execution against Applicant.	4	-
RLM / SHARMA PETROLEUM CC Instructions from Council to proceed with a Court Application against the registered owner interdicting the illegal use and occupation of the premises situated at ERF 208; 209 & 210, WATERVAL EAST X26, which can include use of the relevant gravel road causing nuisance. Consulted with counsel to draft the necessary application.	120	-
LEBEREGANE ENGINEERING SERVICES CC / RLM High Court Application to compel RLM to pay directly to the Applicant invoices received on the project RLM/DI/0017/2010/11. Matter successfully opposed on behalf of RLM and Applicant ordered to pay party/party - costs of RLM. The party/party bill of cost of RLM has now been taxed in a total amount of R93 960.82. In process of recovering this amount from the Applicant.	5	-
R & M FAITHFUL COMPUTERS / RLM Action against Council to services rendered, being delivery of water with water tankers at various areas. Matter defended and Plea deliverded on behalf of Council.	60	-

Figures in Rand thousand	2017	2016

44. Contingencies (continued)

JST Construction CC / RLM A claim in the amount of R3 166 821-10 in respect of the design and construction: Extension of the CCTV monitoring unit as per BID No.: RLM/DPS/0043/2013/14. Parties are still exchanging pleadings and the intellocatory application will be heard on 19 October 2017	3 517	3 517
RLM / MDANGO VINCENT AND 21 OTHERS (SERALENG) Eviction proceedings in terms of P.I.E. Act by R.L.M. against 20 illegals. Appeal referred back to High Court to file further documents and include Department of Land and Rural Development. The said Department plus Department of Local Government and Human Settlement have been joined in the action. Meetings held with directors of DRDLR and Human Settlement submitted land requirements. Awaiting response from the departments, in particular DRDLR.	200	-
RLM / IBD CIVIL CONTRACTORS AND TRAINING EXPERTS CC Action against IBD for declaring the sale agreement of land invalid and return of purchase price. Judgement granted. Eskom filed plea and now preparing for trial. Pre-trial Conference postponed and Defendant filed Notice to Amend. RLM filed Notice of Opposition to Notice to Amend. Settlement offers made but rejected by client. Awaiting 1st Defendant to file application to amend.	10 000	-
RLM / LITHABA BASADI INVESTMENTS (PTY) LTD Recovery of unpaid moneys. Judgement granted and Warrant of Execution issued. Awaiting instruction to proceed with execution.	110	-
S.O. MATSHIDISO CONSTRUCTION & PROJECTS C.C. / RLM 1. This is a civil claim. 2. On 15 March, 2016, S.O. Matshidiso Construction issued Summons against RLM at the Gauteng Local Division for amount of R34 998 485.40.3. The dispute arises from a SLA that was concluded on 4 October 2013 for, inter alia, the procurement, supply storage and transportation of paraffin stoves to the indigents on behalf of the Defendant. The SLA commenced on 01 October 2013 and subsists until 31 October 2016 1. The conduct and rules for arbitration have been prepared and served to the Plaintiff's Attorneys2. The Defendant's attorneys intend to apply for the trial date at the Gauteng Local Division so that we may have this matter dismissed with costs in Defendant's favour.	750	-
WATERLINK WAREHOUSE (PTY) LTD / RUSTENBURG LOCAL MUNICIPALITY 1. On 3 March, 2016, WATERLINK WAREHOUSE (PTY) LTD issued summons to RLM for payment of R4 284 270.90 that is owing from the delivery of goods and services to the Municipality. 2. The invoice was allegedly delivered to the Municipality with supporting documents on 7 September 2015 but no payment had been made to date and a Warrant of Execution wass issued on 2 September 2016 and was accordingly served to the Defendant by the Sheriff. 1. On 13 September 2016, Notice of Motion with an urgent Application to uplift the Warrant of Execution was served & filed within the High Court of South Africa, North West Division, Mahikeng.2. On 26 September 2016, part A of the application was struck off the roll due to lack of urgency with costs.3. The main application for rescission of Judgment and upliftment of warrant of execution is then set down on 9 March, 2016.	650	-
WATERLINK WAREHOUSE (PTY) LTD / RUSTENBURG LOCAL MUNICIPALITY 1. On 23 August 2016, the Plaintiff issued Summon against the Defendant in the North West Division Court, Mahikeng, for payment of an invoice in the sum of R551 338.36.2. Payment was allegedly due on the 28th of December 2015, being 30 days of receipt of the invoice by the Defendant. 3. The Defendant allegedly failed to pay the aforesaid amount of R551 338.36. 1. On 1st of September, 2016, we served & filed Notice of Intention to Defend. 2. On 13 September, 2016, we served and filed Defendant's Plea. 3. Since then we have not heard anything from Plaintiff's Attorneys.4. The Attorneys request further instruction from Defendant as to whether they should pend this matter OR file discovery documents and apply for trial.	550	-

Figures in Rand thousand	2017	2016
44. Contingencies (continued)		
TORO YA AFRICA / RLM	19	300
Claim issued by Toro Ya Africa against RLM for payment of R1 561 708.00 plus interest at 15.5% since December 2013 plus legal costs for the construction of services by Toro Ya Africa for a housing development for the RLM; alternatively, the amount RLM has been enriched by for services rendered.		
Matter settled in terms of Settlement Agreement entered into on the 3rd of March 2017 prior to the trial date. The Settlement Agreement was made an order of court but not complied with by the RLM. Writ issued against RLM for settlement amount plus costs of writ. RLM paid settlement amount only. RLM advised to pay further costs of writ and interest.		
SHAIKH AND SHAIKH / RLM	200	300
Claim issued by Shaikh against RLM for payment of R796 000.00 plus interest at 15.5% from date of judgment plus legal costs for alleged unlawful destruction of property and damages.		
The pleadings are closed and parties are waiting for a trial date. Technical issues were raised to postpone the 5-day trial (19-25 June 2017) to give the RLM to appoint expert witnesses caused to the building. The RLM has been advised to consider settling this matter as the RLM does not have good prospects of success. The RLM has been advised to appoint expert witnesses. The Pre-trial Conference is on the 3rd of August 2017.		
MUNWATCH / RLM	150	250
Application to compel RLM to furnish the information in terms of the Promotion of Access to Information Act 2 of 2000		
Some of the information requested has been supplied but most has not as documents are either lost or inaccessible as Dr Doc is not working. RLM must supply the outstanding information they are legally obliged to supply.		
FLEETMATICS / RLM	1 000	-
Claim to set aside and review procurement contracts to procure +/- R350 Million worth of vehicles. The risk is this sum.		
The application was issued and opposed but is not proceeding. Fleetmatics not pushing the matter.		
UMSO CONSTRUCTION / RLM	30	50
Application to challenge tender award.		
RLM has been successful in the full bench appeal, Supreme Court of Appel. Bills of costs taxed and RLM has been paid for some of the bills, writs have been issued for outstanding payments		
SMEC SA / RLM	125	-
Claim for payment of R6 488 598.28 for professional services rendered plus interest at a rate of 9% plus legal costs.		
Summons issued and RLM defended it. RLM paid SMEC which deposed of the matter but there remains a dispute regarding the payments of interest and other amounts.		
FOODCORP (PTY) LTD T/A SUNBAKE RUSTENBURG / RLM	250	-
Application to have the electricity tariff levied by the RLM declared invalid and set aside for the 2015/176 financial year. Judgement given in the RLM's favour on the 18th of May 2017, the tariff was held to be valid (Application dismissed with costs). Sunbake applied for leave to appeal. If leave is given then the matter will go on appeal. If leave is not given then a bill of costs will be drawn and taxed.		
FDT ELECTRICAL / RLM	250	-
Application to compel RLM to award a tender to an electrical infrastructure and maintenance as and when needed to FDT Electrical		
The Application is opposed, the pleadings are closed and the matter is ready for hearing. The RLM were advised that FTD have gone into provisional liquidation which accordingly suspends the litigation.		

Figures in Rand thousand	2017	2016
44. Contingencies (continued)		
SAFARI CENTRE / RLM Four-part application launched by Safari to: -1. Declare that since 1999 the RLM wrongfully calculated and raised municipal rates, taxes, water and electricity and taxes on Safari's account's; 2. Suspending Safari's current municipal account and interdicting RLM from levying certain charges unless certain conditions are met;3. Repayment of overcharged amounts;4. Order a forensic investigation into Safari's account. The RLM has opposed the application. The RLM must supply information regarding municipal charges levied against Safari in order to defend litigations, consider attractiveness of the settlement proposal and to access the risks of litigation.	250	-
GLENCORE OPERATIONS AND OTHERS / RLM Urgent application launched by Glencore to interdict RLM for discontinuing electricity supply to Glencore's premises and ordering RLM to only charge Glencore the Eskom tariff for municipal customers per the service agreement. The litigation was resolved through the provision of undertakings given by RLM. RLM obliged to pay costs with are in the process of being agreed or determined.	700	-
Thomas Alexander Brough & Others / Rustenburg Local Municipality Demolishing of structures Pending	241	300
Bokaba's Refuse Removal / RLM Dispute in respect of a claim for cost working days during civil unrest at Lethabong in the amount of R2 336 382-25 against the Engineer's ruling for the amount of R236 764-00. Awaiting to engage the engineers to prepare joint minutes.	500	500
Venter Foods (Pty) Ltd t/a Fires Rustenburg / RLM Spoliation application for the reopening of the business property and interdicting from closing the business. Matter finalized	100	100
RLM / GEORGE MOLEFE Application for restraining order in respect of contravention of the Land Use at the property known as ERF. 940 Unit B Tlhabane. Received Engineers report proceeding to serve the other side.	300	-
RLM / MR/S E & RGM MASILO Contravention of land use at Erf. 620 Rustenburg (House No. 4 Oos street - Rustenburg East) Letter of demand issued, proceeding with application.	100	-
RLM / ILLEGAL INVADERS OF PORTIONS 68 & 69 OF THE FARM PAARDEKRAAL 279 JQ Urgent application for Court interdict against invaders of the property described as the portions 68 & 69 of the Farm Paardekraal 279 JQ. Client informed to stop eviction application.	200	-
TSIETSI PETRUS MOHULATSI AND OTHERS / RLM Urgent Ex-Parte application interdicting RLM from executing the eviction order at the property known Portion 1 of the Farm Town and Townlands 272 JQ (Karlien Park and Zinniaville) Matter postponed to 12 October 2017	300	-
MWENZI SERVICE STATION T/A BP / RLM Application for contempt of court against the municipality on allegations that the latter is contemplationg to construct the Central Bus Station in the President Mbeki Drive without rezoning the street as ordered by the court. Matter still to be set down by the other side.	1 200	-
KARELIENPARK / PORTIONS OF 272 JQ, RUSTENBURG / RLM Unlawful invaders interdict Preparing application.	300	-

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

44. Contingencies (continued)

Leberegane Engineering Services CC / Ingplan Africa (Pty) Ltd / RLM. RLM has appointed the First Applicant for the construction of Apolo lights at various villages. Applicant is sub-contracted to the First Respondent and there is a dispute between the Parties over payment, hence joining of RLM in the application. In 2016 matter argued successfully on behalf of RLM and application dismissed with costs. In process of taxation of costs to recover same from applicant.	-	20
RLM / A Tayob. Eviction order has been granted in favour of (Applicant) RLM. The Respondent (A Tayob) has however filed the application for leave to appeal. In 2016 final order against invader was obtained.	-	300
Various Parties / RLM. 42 Cases of estimated R20 each for seeking restraining to operate a business and/or to Declaratory Order to remove the extended part of the original boundary.	-	840
Gert and Maria Laubscher / RLM. The applicants are declared not to be liable for 11KV High Tension service connection for electricity services and charges levied against their property, Portion 31 of the Farm Waterval 306 JQ.	-	250
RLM / All other persons invading and encroaching the remaining extent of the farm Rietspruit No. 83JQ. Urgent application for Court interdict against invaders of the property described as the remining extent of the farm Rietspruit No 83 JQ	-	200
Bogadi Gloria Thekwe and others / Ernst Dinale, RLM and Others. Application for claims of damages in respect of the property known as Erf 2025 Geelhoutpark Ext 6, which is alleged to have extensive domestic refuse and therefore become unsuitable for residential purposes.	-	481
Bheki Khenisa / RLM. Application to challenge the Municipal Managers dismissal	-	150
Subtotal	23 035	7 988
	23 035	**7 988**

Landfill Sites:

The municipality does not have permits for the following landfill sites:
- Bethanie
- Lethabong
- Marikana
- Monnaka
- Phatsima

The municipality might be fined and penalised for operating unlicensed landfill sites by the Department of Environmental Affairs. However, municipality could not reliably estimate the probable fine that might be incurred as there are no known similar cases against other municipalities.

Contingent assets

The municipality has no contingent assets.

Figures in Rand thousand		2017	2016

45. Related parties

Relationships

Controlled entities	Refer to note 7
Members of key management and councillors	Refer to note 31 and 32

Related party balances

	2017	2016
Loan accounts - Owing (to) by related parties		
Rustenburg Water Services Trust	2 348	2 450
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Rustenburg Water Services Trust - Water Sales	(67 539)	(58 890)
Rustenburg Water Services Trust - Grant & subsidy	(17 789)	-
Rustenburg Water Services Trust - IMQS Software	(5 855)	-

Related party transactions

	2017	2016
Interest paid to (received from) related parties		
Rustenburg Water Services Trust	(266)	(276)
Purchases from (sales to) related parties		
Rustenburg Water Services Trust	112 720	93 041
Rustenburg Water Services Trust - IMQS Software	5 136	-
Transfer payment / Grant & Subsidy paid to (received from) related parties		
Rustenburg Water Services Trust	47 338	43 330
Transfer payment / Grant & Subsidy (conditions met by related party)		
Rustenburg Water Services Trust	(47 338)	(43 330)
Telemetry System paid to (received from) related parties		
Rustenburg Water Services Trust	(650)	-

The transactions between the Rustenburg Local Municipality and the Rustenburg Water Services Trust is classified as related party transactions. The nature of the realtionship is that Rustenburg Local Municipality is the sole beneficiary of the trust and has the right to appoint 4 representatives on the board of trustees.

46. Prior period errors

Transactions reflected in this note are rounded to thousands.

46. Prior period errors (continued)

The following Prior period error corrections were done for the 2015 financial year:

After year-end payments were noted that relates to expenses in 2014/2015. This resulted in the following effects increase in Contracted Services: Other Contractors of R1 502 and an increase in payables from exchange transaction of R1 502. These transactions have resulted in an increase in VAT receivable of R210 and an increase in trade payabls of R210. Furthermore payments that relate 2013/14 were identified that resulted in an decrease of R641 on Retained earnings and an increase of R641 in payables from exchange transactions. These transactions have resulted in an increase in VAT receivable of R90 and an increase in trade payabls of R90

After year-end payments were noted that relates to expenses in 2014/2015. This resulted in an increase of R7 661 in Contracted Services: Professional fees and an increase in payables from exchange transactions of R7 661. These transactions have resulted in an increase in VAT receivable of R1 074 and an increase in trade payabls of R1 074.

After year-end payments were noted that relates to expenses in 2014/2015. This resulted in an increase of R95 in Contracted Services: Valuation services and an increase in payables from exchange transactions of R95. These transactions have resulted in an increase in VAT receivable of R13 and an increase in trade payabls of R13.

After year-end payments were noted that relates to expenses in 2014/2015. This resulted in an increase of R268 in General expenses: other expenses and an increase in payables from exchange transactions of R268. These transactions have resulted in an increase in VAT receivable of R38 and an in trade payabls of R38. Furthermore payments that relate 2013/14 were identified that resulted in an decrease of R87 on Retained earnings and an increase of R87 in payables from exchange transactions.

After year-end payments were noted that relates to expenses in 2014/2015. This resulted in an increase of R94 in Repairs and maintenance and an increase in payables from exchange transactions of R94. These transactions have resulted in an increase in VAT receivable of R13 and an increase in trade payabls of R13.

MAXPROF investigated and found that on general expenses: other expenses VAT were incorrectly never claimed. Corrections made had the effect of a decrease in general expenses: other expenses of R864 and an increase in VAT receivables of R864.

Whilst performing the cost estimates for the rehabilitation of the landfill sites, the engineers discovered that the previous cost estimates were based on an incorrect rehabilitation area. The correction resulted in an increase of R69 732 in Non-current provisions and an increase of R69 732 in General expenses: Contribution for landfill sites. The correction also resulted in an increase of R23 915 in current provisions and an increase of R23 915 in General expenses: Contribution for landfill sites.

Xstrata were billed the incorrect tariffs. This resulted in a decrease in receivables of exchange transactions of R43 923, a decrease in services charges of R38 529 and an increase in VAT receivable of R5 394. Furthermore billing that relates to the 2013/14 and 2012/13 year resulted in decrease in receivables of exchange transactions of R37 861, a decrease in retained earnings of R33 211 and an increase in VAT receivable of R4 650.

Xstrata were billed the incorrect tariffs. This resulted in a decrease in accumulated impairment of R43 923, a decrease in impairment of R38 529 and an decrease in VAT receivable of R5 394. Furthermore billing that relates to the 2013/14 and 2012/13 year resulted in decrease in accumulated impairment of R37 861, an increase in retained earnings of R33 211 and a decrease in VAT receivable of R4 650

Land owned by the municipality was not recognised. The correction resulted in an increase in land of R506 and an increase in retained earnings of R506

Farm land owned by the municipality was not recognised. The correction resulted in an increase in land of R127 851 and an increase in retained earnings of R127 851

Land was incorrectly derecognised. The correction resulted in an increase in land of R4 506 and an increase in retained earnings of R4 506

Prior year depreciation on fully depreciated assets were corrected. The correction resulted in a decrease accumulated depreciation: electricity of R1 563, a decrease in accumulated depreciation: roads R49 383, a decrease in accumulated depreciation: water R330 and a decrease in depreciation of R51 276.

Newly identified assets which were previously omitted from the asset register resulted in an increase in PPE: office equipment

46. Prior period errors (continued)
of R254, an increase in furniture and fixtures of R230, an increase in motor vehicles of R275,an increase PPE: plant and machinary of R688, and increase in PPE: roads of R10 320, an increase in PPE: electricity of R21 509, an increase in PPE: buildings of R74 544, an increase in PPE: Water of R3 288, an increase in PPE:Sewerage of R350 and an increase in retained earnings of R111 458.

Assets were identified that were previously not capitalized. The correction resulted in an increase in PPE: roads of R1 358, an increase in PPE: Water of R14 250, an increase in PPE: sewerage of R5 551, a decrease in WIP of R22 133 and an increase in depreciation of R974.

Assets were reclassified to improve disclosure. The correction resulted in an increase in PPE: plant and machinary of R1 356, an increase in PPE: furniture and fixtures of R135, a decrease in PPE: motor vehicles of R799, an in increase in PPE: office equipment R213, an increase in PPE: sewerage of R7 801, a decrease in PPE: electricity of R773, an increase in PPE: roads of R4 046, a decrease in PPE: water of R8 518, a decrease in WIP of R5 349, a decrease in PPE: land of R25, an increase in PPE: emergency equipment of R9, and increase in PPE: specialised vehicles of R9 and a decrease in retained earnings of R1 895.

A decrease in Receivables from exchange transactions of R8 756 an increase of VAT receivables of R1 075 and a decrease in Services charges of R7 681 occurred due to corrections made after year end to accounts due to various reasons which include over and under billing of customer accounts. Furthermore based on the same reasons Rates allocated under revenue from non-exchange transactions increased with R7 018 and Property rates increased with R7 018.

A decrease in Accumulated impairment: exchange transactions of R8 756, decrease in VAT receivables of R1 075 and a decrease in impairment: exchange transactions of R7 681 occurred due to corrections made after year end to accounts due to various reasons which include over and under billing of customer accounts. Furthermore based on the same reasons Accumulated impairment: non-exchange transactions increased with R7 018 and impairment: non-exchange transactions increased with R7 018.

After year-end payments were noted that relates to expenses in 2014/2015. This resulted in an increase of R179 in Contracted Services: Professional fees and an increase in payables from exchange transactions of R179. These transactions have resulted in an increase in VAT receivable of R25 and and in trade payabls of R25. Furthermore payments that relate 2013/14 were identified that resulted in an decrease of R196 on Retained earnings and an increase of R196 in payables from exchange transactions.

WIP was reclassified to improve disclosure. This resulted in a decrease in WIP: buildings of R264 327, a decrease in WIP: infrastructure of R2 118 147 and an increase in WIP of R2 382 474.

MIG grant funding withheld relating to the 2013/14 financial year resulted in a decrease in retained earnings of R30 400 and an increase in Unspent grants: MIG of R30 400.

Irregular expenditure increased by R519 334 due to exceptions raised last year that were investigated and additional items identified when the full population of payments was investigated.

The following Prior period error corrections were done for the 2016 financial year as reflected in below tables:

After year-end various payments were noted that relates to expenses in 2015/2016. This resulted in an increase of R21 173 in General expenses: other expenses and an increase in payables from exchange transactions of R21 173. These transactions have resulted in an increase in VAT receivable of R2 593 and an increase in trade payabls of R2 593.

After year-end various payments were noted that relates to expenses in 2015/2016. This resulted in an increase of R7 153 in Repairs and maintenance and an increase in payables from exchange transactions of R7 153. These transactions have resulted in an increase in VAT receivable of R1 001 and an increase in trade payabls of R1 001.

After year-end various payments were noted that relates to assets in 2015/2016. This resulted in an increase of R1 517 in Infrastructure WIP and an increase in payables from exchange transactions of R1 517. These transactions have resulted in an increase in VAT receivable of R212 and an increase in trade payabls of R212.

After investigation it was discovered that asset disposals for the 2015/16 year were incorrectly recorded against payables from exchange transactions instead of assets written off. The correction results in an increase of R8 076 in General expenses: assets written off and a increase in payables from exchange transactions: other creditors.

46. Prior period errors (continued)
MAXPROF investigated and found that on general expenses: other expenses VAT were incorrectly never claimed. Corrections made had the effect of a decrease in general expenses: other expenses of R978 and an increase in VAT receivables of R978

Whilst performing the cost estimates for the rehabilitation of the landfill sites, the engineers discovered that the previous cost estimates were based on an incorrect rehabilitation area. The correction resulted in a decrease of R22 175 in Non-current provisions and an decrease of R22 175 in General expenses: Contribution for landfill sites. The correction also resulted in an increase of R4 218 in current provisions and an increase of R4 218 in General expenses: Contribution for landfill sites.

Xstrata were billed the incorrect tariffs. This resulted in a increase in receivables of exchange transactions of R31 263, an increase in services charges of R27 423 and an decrease in VAT receivable of R3 840

Xstrata were billed the incorrect tariffs. This resulted in a increase in accumulated impairment of R31 263, an increase in impairment of R27 423 and an increase in VAT receivable of R3 840

A decrease in Receivables from exchange transactions of R11 508 an increase of VAT receivables of R1 413 and a decrease in Services charges of R10 095 occurred due to corrections made after year end to accounts due to various reasons which include over and under billing of customer accounts. Furthermore based on the same reasons Rates allocated under revenue from non-exchange transactions increased with R565 and Property rates increased with R565.

A decrease in accumulated impairment: exchange transactions of R11 508 an decrease in VAT receivables of R1 413 and a decrease in impairment: exchange transactions of R10 095 occurred due to corrections made after year end to accounts due to various reasons which include over and under billing of customer accounts. Furthermore based on the same reasons accumulated impairment: non-exchange transactions increased with R565 and impairment: exchange transactions increased with R565.

Transactions were noted that has not been correctly posted to the expense accounts which resulted in an increase in general expenses: material & stock of R50 and a decrease in inventory of R50.

Transactions were noted that has not been correctly posted to the expense accounts which resulted in a increase in general expenses: Hiring of R2 591, an increase in VAT receivable of R363 and an increase in payables from exchange transactions of R2 954

Prior year depreciation on negative carrying assets were corrected. The correction resulted in a decrease accumulated depreciation: Roads of R3 470, a decrease in accumulated depreciation: water R110 and a decrease in depreciation of R3 580..

Prior year depreciation on fully depreciated assets were corrected. The correction resulted in a decrease accumulated depreciation: building of R2 546, a decrease in accumulated depreciation: electricity R46, a decrease in accumulated depreciation: roads R238 and a decrease in depreciation of R2 830.

Depreciation on newly identified assets previously omitted from the asset register resulted in an increase in depreciation of R7 257, increase in Accumulated depreciation: office equipment of R61, an increase in Accumulated depreciation: furniture and fittings of R84, an increase in Accumulated depreciation: plant and equipment of R101, an increase in Accumulated depreciation: electricity of R906, an increase in Accumulated depreciation: roads of R388, an increase in Accumulated depreciation: motor vehicles of R63, an increase in Accumulated depreciation: buildings of R5 412, an increase in Accumulated depreciation: water of R208 and an increase in Accumulated depreciation: sewerage of R34

Assets which were incorrectly capitalized in the previous year were identified. The correction resulted in an increase in WIP R11 403, decrease in PPE: roads of R11 403, a decrease in accumulated depreciation: roads of R442 and a decrease in depreciation of R442.

Assets which were incorrectly capitalized in the previous year were identified. The correction resulted in an increase in WIP R4 617, decrease in PPE: roads of R4 617, a decrease in accumulated depreciation: roads of R9 and a decrease in depreciation of R9.

Landfill site which were incorrectly capitalized in the previous year were identified. The correction resulted in an increase in WIP R65, decrease in PPE: buildings of R65, a decrease in accumulated depreciation: buildings of R2 and a decrease in depreciation of R2

46. Prior period errors (continued)

Assets which were incorrectly capitalized in the previous year were identified. The correction resulted in an increase in WIP R99 547, decrease in PPE: buildings of R99 547, a decrease in accumulated depreciation: buildings of R3 477 and a decrease in depreciation of R3 477.

Newly identified assets which were previously omitted from the asset register resulted in an increase in depreciation of R20 152, an increase in accumulated depreciation: electrcity of R313, an increase in accumulated depreciation: roads of R19 769 and an increase in accumulated depreciation: water of R70.

Commitments increased by R75 052 due to exceptions raised last year that was investigated and additional items identified when the population was investigated.

Assets which were incorrectly capitalized in the previous year were identified. The correction resulted in an increase in WIP R17 348, decrease in PPE: roads of R17 348, a decrease in accumulated depreciation: roads of R113 and a decrease in depreciation of R113.

Assets were identified that were previously not capitalized. The correction resulted in an increase in depreciation of R681, an increase in accumulated depreciation: roads of R47, an increase in accumulated depreciation: water of R542 and an increase in accumulated depreciation of R92

Assets were identified that were previously not capitalized. The correction resulted in an increase in PPE: water of R3 862, an increase in PPE: office equipment of R112, an increase in PPE: sewerage of R1 288, an increase in PPE: buildings of R1 927, an increase in PPE: electricity of R272, an increase in PPE: roads of R3 445, a decrease in WIP of R11 113 and an increase in depreciation of R207.

Investment property transferred to inventory as per previous audit exception was corrected for land that was discovered to be privately owned. This resulted in an increase in Investment Property of R929 and decrease in Inventory : land held for sale of R929

After year-end various payments were noted that relates to expenses in 2015/2016. This resulted in an increase of R254 in Contracted Services: Professional fees and an increase in payables from exchange transactions of R254. These transactions have resulted in an increase in VAT receivable of R36 and an increase in trade payabls of R36.

The correction of the waterfall landfill project resulted in a decrease in WIP of R80 455, a decrease in PPE: buildings of R95 726, an increase in PPE: sewerage of R132 629, and increase in PPE: roads of R43 204 and an increase in PPE: water of R347. The correction of the waterfall landfill project also resulted in an increase in depreciation of R1 812, a decrease in accumulated depreciation: buildings of R2 527, an increase in accumulated depreciation: sewerage of R3 044, an increase in accumulated depreciation: roads of R1 286 and an increase in accumulated depreciation: water of R9.

WIP was reclassified to improve disclosure. This resulted in a decrease in WIP: buildings of R34 912, an increase in WIP: infrastructure of R22 166 and an increase in WIP of R12 746.

MIG grant funding overspent relating to the 2015/16 financial year was incorrectly classified as non-exchange receivables. The correction resulted in decrease in non-exchange receivables of R4 360 and decrease in Grant revenue: MIG of R4 360.

Irregular expenditure decreased by R75 082 due to exceptions raised last year that were investigated and additional items identified when the full population of payments was investigated.

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

46. Prior period errors (continued)

The combined effects of the prior period errors are as follows in the AFS - Rounded to R'000:

	Previously reported	Prior period error	Restated amount
Statement of financial position - extract			
Current assets			
Inventories	139 661	(980)	138 681
Receivables from non-exchange transactions	48 824	(4 360)	44 464
VAT receivable	15 891	7 509	23 400
Non-current assets			
Property, plant and equipment	7 703 959	274 584	7 978 543
Investment property	206 326	928	207 254
Current liabilities			
Payables from exchange transactions	645 310	57 161	702 471
Provisions	12 259	28 133	40 662
Unspent conditional grants	263 337	30 400	293 737
Non-current liabilities			
Provisions	71 673	47 558	119 231
Statement of changes in net assets - extract			
Accummulated surplus	6 981 052	114 431	7 095 483
Statement of financial performance - extract			
Revenue			
Service charges	2 193 661	17 328	2 210 989
Property rates	282 846	565	283 411
Government grants and subsidies	1 140 938	(4 360)	1 136 578
Expenditure			
Depreciation and amortisation	(361 962)	(19 386)	(381 348)
Impairment loss	(440 175)	(17 894)	(458 069)
Repairs and maintenance	(70 264)	(7 153)	(77 417)
Contracted services	(158 038)	(254)	(158 292)
General expenses	(163 877)	(12 958)	(176 835)

The following analysis from pages 88 to 91 indicates the effect of the prior period errors on a transaction by transaction basis. The effects are shown in the financial periods ended 30 June 2016 and 30 June 2015 respectively:

Figures in Rand thousand 2017 2016

46. Prior period errors (continued)

The detailed effects of the prior period errors are as follows:

	2016	2015
Statement of financial position		
Increase in payables from exchange transactions	-	1 502
Increase in VAT reveivables	-	210
Increase in payables from exchange transactions	-	210
Increase in payables from exchange transactions	-	641
Increase in VAT reveivables	-	90
Decrease in retained earnings	-	641
Increase in payables from exchange transactions	-	90
Increase in payables from exchange transactions	-	7 661
Increase in VAT reveivables	-	1 073
Increase in payables from exchange transactions	-	1 073
Increase in payables from exchange transactions	-	95
Increase in VAT reveivables	-	13
Increase in payables from exchange transactions	-	13
Increase in payables from exchange transactions	-	268
Increase in VAT reveivables	-	38
Increase in payables from exchange transactions	-	38
Increase in payables from exchange transactions	-	87
Decrease in retained earnings	-	87
Increase in payables from exchange transactions	-	94
Increase in VAT reveivables	-	13
Increase in payables from exchange transactions	-	13
Increase in payables from exchange transactions	21 173	-
Increase in VAT reveivables	2 593	-
Increase in payables from exchange transactions	2 593	-
Increase in payables from exchange transactions	7 153	-
Increase in VAT reveivables	1 001	-
Increase in payables from exchange transactions	1 001	-
Increase in payables from exchange transactions	1 517	-
Increase in VAT reveivables	212	-
Increase in PPE: Infrastructure WIP	1 517	-
Increase in payables from exchange transactions	212	-
Increase in payables from exchange transactions	8 076	-
Increase in VAT receivables	978	864
Decrease in non current provisions	22 175	-
Increase in current provisions	4 218	23 915
Increase in non current provisions	-	69 732
Increase in receivables from exchange transactions	31 263	-
Decrease in VAT receivables	3 840	-
Decrease in receivables from exchange transactions	-	43 923
Increase in VAT receivables	-	5 394
Decrease in receivables from exchange transactions	-	37 861
Decrease in VAT receivables	-	4 650
Decrease in Retained Earnings	-	33 211
Increase in Accumulated impairment	31 263	-
Increase in VAT receivables	3 840	-
Decrease in accumulated impairment	-	43 923
Decrease in VAT receivables	-	5 394
Decrease in accumulated impairment	-	37 861
Decrease in VAT receivables	-	4 650
Increase in Retained Earnings	-	33 211
Decrease in receivables from exchange transactions	11 508	8 756
Increase in VAT receivables	1 412	1 075
Increase in receivables from non-exchange transactions	565	7 018
Decrease in accumulated impairment: exchange transactions	11 508	8 756
Deccrease in VAT receivables	1 412	1 075
Increase in accumulated impairment: non-exchange transactions	565	7 018

Figures in Rand thousand	2017	2016
46. Prior period errors (continued)		
Decrease in inventory	50	-
Increase in VAT receivables	363	-
Increase in payables from exchange transactions	2 954	-
Increase in PPE: Land	-	506
Increase in Retained Earnings	-	506
Increase in PPE: Land	-	127 851
Increase in Retained Earnings	-	127 851
Increase in PPE: Land	-	4 506
Increase in Retained Earnings	-	4 506
Decrease in accumulated depreciation: roads	3 470	-
Decrease in accumulated depreciation: water	110	-
Decrease in accumlated depreciation: buildings	2 546	-
Decrease in accumlated depreciation: electricity	46	-
Decrease in accumlated depreciation: roads	238	-
Decrease in accumlated depreciation: electricity	-	1 563
Decrease in accumlated depreciation: roads	-	49 383
Decrease in accumlated depreciation: water	-	330
Increase in PPE: office equipment	-	254
Increase in PPE: furniture and fixtures	-	230
Increase in PPE: motor vehicles	-	275
Increase in PPE: plant and machinary	-	688
Increase in PPE: roads	-	10 320
Increase in PPE: electricity	-	21 509
Increase in PPE: buildings	-	74 544
Increase in PPE: water	-	3 288
Increase in sewerage	-	350
Increase in retained earnings	-	111 458
Increase in accumulated depreciation: office equipment	61	-
Increase in accumulated depreciation: furniture and fixtures	84	-
Increase in accumulated depreciation: motor vehicles	63	-
Increase in accumulated depreciation: plant and equipment	101	-
Increase in accumulated depreciation: electricity	906	-
Increase in accumulated depreciation: roads	388	-
Increase in accumulated depreciation: buildings	5 412	-
Increase in accumulated depreciation: water	208	-
Increase in accumulated depreciation: sewerage	34	-
Increase in WIP	11 403	-
Decrease in PPE: roads	11 403	-
Decrease in accumulated depreciation: roads	442	-
Increase in WIP	4 617	-
Decrease in PPE: roads	4 617	-
Decrease in accumulated depreciation: roads	9	-
Increase in WIP	65	-
Decrease in PPE: building	65	-
Decrease in accumulated depreciation: building	2	-
Increase in WIP	99 547	-
Decrease in PPE: building	99 547	-
Decrease in accumulated depreciation: building	3 477	-
Increase in WIP	17 348	-
Decrease in PPE: roads	17 348	-
Decrease in accumulated depreciation: roads	113	-
Increase in PPE: roads	-	1 358
Increase in PPE: water	-	14 250
Increase in PPE: sewerage	-	5 551
Decrease in WIP	-	22 133
Increase in accumulated depreciation: roads	47	-
Increase in accumulated depreciation: water	542	-
Increase in accumulated depreciation: sewerage	93	-
Increase in PPE: water	3 862	-
Increase in PPE: office equipment	112	-

Figures in Rand thousand	2017	2016
46. Prior period errors (continued)		
Increase in PPE: sewerage	1 288	-
Increase in PPE: building	1 927	-
Increase in PPE: electricity	272	-
Increase in PPE: roads	3 445	-
Decrease in WIP	11 113	-
Increase in PPE: plant and machinary	-	1 356
Increase in PPE: furntiture and fixtures	-	135
Decrease in PPE: motor vehicles	-	799
Increase in PPE: office equipment	-	213
Increase in PPE: sewerage	-	7 801
Decrease in PPE: electricity	-	773
Increase in PPE: roads	-	4 046
Decrease in PPE: water	-	8 518
Decrease in WIP	-	5 349
Decrease in PPE: land	-	25
Increase in PPE: emergency equipment	-	9
Increase in PPE: specialised vehicles	-	9
Decrease in retained earnings	-	1 895
Increase in Investment Property	929	-
Decrease in Inventory	929	-
Increase in accumulated depreciation: electricity	313	-
Increase in accumulated depreciation: roads	19 769	-
Increase in accumulated depreciation: water	70	-
Increase in payables from exchange transactions	-	204
Increase in VAT receivables	-	25
Decrease in retained earnings	-	196
Increase in payables from exchange transactions	-	196
Increase in payables from exchange transactions	-	290
Increase in VAT receivables	-	36
Decrease in WIP	80 455	-
Decrease in PPE: buildings	95 726	-
Increase in PPE: sewerage	132 629	-
Increase in PPE: roads	43 204	-
Increase in PPE: water	347	-
Decrease in accumulated depreciation: buildings	2 527	-
Increase in accumulated depreciation: sewerage	3 044	-
Increase in accumulated depreciation: roads	1 286	-
Increase in accumulated depreciation: water	9	-
Decrease in WIP: buildings	34 912	264 327
Decrease in WIP: Infrastructure	-	2 118 147
Increase in WIP	12 746	2 382 474
Increase in WIP: Infrastructure	22 166	-
Decrease in retained earnings	-	30 400
Increase in Unspent Grants: MIG	-	30 400
Decrease in receivables from non-exchange transactions	4 360	-

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

46. Prior period errors (continued)

Statement of financial performance		
Increase in contracted services: other contractors	-	1 502
Increase in contracted services: professional fees	-	7 661
Increase in contracted services: professional fees	-	95
Increase in general expenses: other expenses	-	268
Increase in repairs and maintenance	-	94
Increase in general expenses: other expenses	21 173	-
Increase in repairs and maintenance	7 153	-
Increase in general expenses: assets written off	8 076	-
Decrease in general expenses: other expenses	978	864
Decrease in general expenses: contribution to landfill sites	22 175	-
Increase in general expenses: contribution to landfill sites	4 218	69 732
Increase in general expenses: contribution to landfill sites	-	23 915
Increase in service charges: sale of electricity	27 423	-
Decrease in service charges: sale of electricity	-	38 529
Increase in Impairment	27 423	-
Decrease in impairment	-	38 529
Decrease in Service Charges	10 095	7 681
Increase in Property rates	565	7 018
Decrease in impairment	10 095	7 681
Increase in impairment	565	7 018
Increase in general expenses: material and stock	50	-
Increase in general expenses: hiring	2 591	-
Decrease in depreciation	3 580	-
Decrease in depreciation	2 830	51 276
Increase in depreciation	7 257	-
Decrease in depreciation	442	-
Decrease in depreciation	9	-
Decrease in depreciation	2	-
Decrease in depreciation	3 477	-
Decrease in depreciation	113	-
Increase in depreciation	20 152	974
Increase in depreciation	207	-
Increase in depreciation	681	-
Increase in contracted services: professional fees	254	179
Increase in depreciation	1 812	-
Decrease in Grant revenue: MIG	4 360	-
Notes to the financial statements		
Increase in Commiments	75 052	-
Increase in Irregular expenditure	-	519 134
Decrease in Irregular expenditure	(75 082)	-
	(30)	**519 134**

47. Comparative figures

Certain comparative figures have been reclassified. Mainly due to prior year errors, refer to note above.

Figures in Rand thousand

Notes to the Annual Financial Statements

48. Risk management

Financial risk management

Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality’s overall strategy remains unchanged from 2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 20, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 17 and the Statement of Changes in Net Assets.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 17 and the Statement of Changes in Net Assets.

Gearing Ratio's

The gearing ratio at the year-end was as follows:

Debt	(475 227)	(499 590)
Cash and Cash Equivalents	57 614	226 202
Net Debt	(417 613)	(273 388)
	(417 613)	**(273 388)**

Debt is defined as Long- and Short-term Liabilities

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The municipality’s Finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

48. Risk management (continued)

The Department of Finance monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality’s audit committee, an independent body that monitors the effectiveness of the internal audit function.

Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:
- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk
The municipality’s activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.
.
Liquidity Risk
Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality’s reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

48. Risk management (continued)

Credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality’s exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term receivables, other debtors, bank and cash balances.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Investments/Bank, Cash and Cash Equivalents

Refer to http://www.fidfund.co.za/banking-options/bank-credit-ratings/ for the most updated ratings.

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with it's investment policy. Consequently, the municipality is not exposure to any significant credit risk.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables
Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on-going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. On-going credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

Figures in Rand thousand

48. Risk management (continued)

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality’s maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2017**	**2016**
Finance Lease Receivables	2 349	2 449
Receivables from exchange transactions	403 306	375 583
Receivables from non-exchange transactions	52 855	44 464
Cash and cash equivalents	57 614	226 202
Investments	852	802

Market risk

Figures in Rand thousand

48. Risk management (continued)

Detail

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.
- interest rate swaps to mitigate the risk of rising interest rates.

Market risk exposures are measured using value-at-risk (VaR) and are supplemented by sensitivity analysis.

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Note that no interest paid are linked to prime and therefore no impact on the sensitive analysis for interest paid.

Sensitivity analysis for financial instruments 2017			
Interest received for the year: -2%	182 757	(44 305)	Decrease in net surplus
Interest received for the year	227 062	-	
Interest received for the year: +2%	271 367	44 305	Increase in net surplus

Note that no interest paid are linked to prime and therefore no impact on the sensitive analysis for interest paid.

Sensitivity analysis for financial instruments 2016			
Interest received for the year: -2%	141 620	(34 332)	Decrease in surplus
Interest received for the year	175 953	-	
Interest received for the year: +2%	210 285	34 332	Increase in net surplus

Notes to the Annual Financial Statements

Figures in Rand thousand

48. Risk management (continued)

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality’s exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Foreign exchange risk

The municipality undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The municipality’s activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

49. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Notes to the Annual Financial Statements

Figures in Rand thousand

50. Events after the reporting date

No material events occurred with respect to the 2016/2017 financial year end after the date of the statement of financial position in respect of loans, investments and any other aspects.

51. Unauthorised expenditure

Opening Balance	991 580	564 023
Unauthorised Expenditure current year	-	427 557
Authorised during the financial year	-	-
	991 580	**991 580**

Unauthorised expenditure for the current year relates to the following expenditure departments:

Budget and Treasury	-	-
Community Development	-	6 593
Municipal Manager	-	355 730
Planning and Human Settlements	-	8 997
Public Safety	-	19 541
Rustenburg Rapid Transport	-	-
Executive Mayor	-	36 696
	-	**427 557**

52. Fruitless and wasteful expenditure

	-	-
Opening Balance	1 431	537
Expenditure incurred during the year	490	894
Written off / recovered during the year	-	-
	1 921	**1 431**

Expenditure incurred during the year resulted from interest paid on late payments of suppliers to the value of R490. The matters is currently under investigation, no disciplinary steps taken to date.

53. Irregular expenditure

Opening balance	4 503 052	3 967 414
Irregular Expenditure - current year	539 459	610 720
Prior year adjustment	-	(75 082)
Amounts written off during the financial year	(2 279 814)	-
	2 762 697	**4 503 052**

Details of irregular expenditure – 2016/17

The amount disclosed as irregular expenditure in the current year has been derived after a detailed assessment of all payments made during the current year. There were various contributing factors identified as the cause of expenditure irregularity, of which a detailed irregular expenditure register is available at the SCM department. No disciplinary action has been taken for the current year amount.

The R2 279 814 written off consists of 59 cases with a total amount of R637 663 which were approved for a write off in the October 2015 Council after the investigation report was tabled, a further 193 cases with a total amount of R1 113 325 which were approved for a write off in the June 2016 Council after the second investigation report was tabled and bids that were incorrectly included in the irregular expenditure register to the amount of R528 826. There were no disciplinary actions taken on all the cases reported. The write-off has been effected in the current year because there were further assessments of the cases and the reasons for the write-off are deemed to be valid.

Figures in Rand thousand

53. Irregular expenditure (continued)

Details of irregular expenditure - 2015/16

Rustenburg Local Municipality undertook an extensive review of irregular expenditure from the period 2010/2011 to 30 June 2016 to address the completeness of disclosure of irregular expenditure. In cases where the information for financial years pre-2014-2015 was not available to determine whether all procurement processes were followed such were identified as irregular expenditure and flagged for investigation. The investigations are on going and no disciplinary action has been taken to date.

The Municipality revisited the entire population to re-assess the irregular expenditure which was disclosed in the financial statements in the 2015/16 Financial Year. The re-assessment has resulted in an adjustment of R519 134 for the 2014/15 financial year and an adjustment of (R75 082) for the 2015/16 financial year. The total effect is a net adjustment of R444 052 due to payments that were incorrectly classified as irregular and payments that were incorrectly excluded from the irregular expenditure disclosure.

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	5 779	5 295
Amount paid - current year	(5 779)	(5 295)
	-	-

Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water losses were as follows and are not recoverable:

Electricity	Units (kWh)	Units (kWh)
Purchased during the year	2 123 418	1 874 475
Sold during the year	(1 932 659)	(1 740 423)
Unaccounted - Normal distribution losses - % of electricity (2017 - 8,98%); (2016 - 7,15%)	190 759	134 052
Loss (R): At Cost	**166 458**	**283 313**

Electricity losses occur due to inter alia, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections. The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters are replaced as sooon as they are reported.

Water	Units (kl)	Units (kl)
Purchased during the year	42 083	41 427
Sold during the year	(23 925)	(20 966)
Unaccounted - Normal distribution losses - % of water (2017 - 43,15%); (2016 - 49,39%)	18 158	20 461
Loss (R): At Cost	**135 958**	**135 547**

Water losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters and leakages are replaced / repaired as soon as they are reported.

Audit fees

Opening balance	132	52
Current year subscription / fee	7 494	5 876
Amount paid - current year	(7 469)	(5 796)
	157	**132**

Notes to the Annual Financial Statements

Figures in Rand thousand

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Current year subscription / fee	67 014	73 168
Amount paid - current year	(67 014)	(73 168)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	77 878	98 974
Amount paid - current year	(77 878)	(98 974)
	-	-

Figures in Rand thousand

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Clr Mokwele P	4	22	26
Clr Molotsi CN	1	-	1
Clr Du Plessis GJ & G	2	-	2
Clr Malinga M	4	108	112
Clr Radebe MW	1	69	70
Clr Bothomane	5	81	86
Clr Pelesi KL	1	88	89
Clr Ngwato JD	3	41	44
Clr Matlhoko AM	2	48	50
Clr Molatlhegi PR	1	15	16
Clr Fetmani EM	1	10	11
Clr Legopelo JB	1	27	28
Clr Mataboge AL	1	-	1
Clr Mataboge AL	1	-	1
Clr Miny CFM	1	-	1
Clr Nkosi LM	10	331	341
Clr Mataboge GM	3	23	26
Clr Tsamai A	1	-	1
Clr Nkgoang LI	1	72	73
Clr Mataboge AL	3	-	3
Clr Mokotedi KG	1	-	1
Clr Mhlungu SBM	1	-	1
Clr Vosloo JM	2	-	2
Clr Khunou ME	1	-	1
Clr Edwards I	2	-	2
Clr Coetzee M and MJ	1	-	1
Clr Mohube MM	1	-	1
Clr Motlhamme GS	1	-	1
Clr Khunou ME	1	-	1
Clr Nel D	1	-	1
Clr Masondo E	1	-	1
	60	**935**	**995**

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Clr Ackerman CF	4	-	4
Clr Beukes E	1	-	1
Clr Beukes E	1	-	1
Clr Bisschoff IJ	2	-	2
Clr Coetzee DL	1	-	1
Clr Coetzee M	1	-	1
Clr Dhlunge W	2	9	11
Clr Du Plessis G	1	-	1
Clr Edwards I	1	-	1
Clr Khunou ME	1	-	1
Clr Khunou ME	2	-	2
Clr Lebethe M	2	21	23
Clr Marekoa - Kodongo BB	1	-	1

Figures in Rand thousand

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Clr Mataboge AL	1	-	1
Clr Mataboge AL	4	-	4
Clr Mathudi RM	5	83	88
Clr Mhlungu SBM	1	-	1
Clr Miny CFM	1	-	1
Clr Mohube MM	1	-	1
Clr Mokoe	1	-	1
Clr Mokopo LE	2	21	23
Clr Molatlhegi PR	2	42	44
Clr Molotsi CN	3	12	15
Clr Mosome PK	5	30	35
Clr Motlhasedi RK	-	4	4
Clr Mputle GJ	2	-	2
Clr Mtyotywa EB	1	37	38
Clr Mutle MG	2	19	21
Clr Mzizi J	2	7	9
Clr Omarjee M	2	-	2
Clr Poopedi JM	-	15	15
Clr Ramatlhapeng ML	1	14	15
Clr Segale M	-	1	1
Clr Segaole	1	2	3
Clr Segaole AB	12	-	12
Clr Serongoane H	1	2	3
Clr Smith L	1	-	1
Clr Tlhapi I	2	67	69
Clr Tsamai A	1	-	1
Clr Vosloo JM	1	-	1
Clr Willemse MJ	2	54	56
	77	**440**	**517**

55. Budget differences

Material differences between budget and actual amounts

Service Charges - Increase is mainly due to the reduction of load shedding from the previous year.

Licences and Permits - Increase is indicative of intensifying efforts related to the collection of licences

Other income - Increase in revenue is mainly due to refunds that were received from Rand Water for water conservations.

Fines - The increase is due to enhanced presence and enforcement of municipal law enforcement and traffic services.

Government grants and subsidies - Increase relates to conditional grants utilised during the year for projects completed.

Depreciation and amortisation - In line with the conditional assessment of assets.

Impairment loss - Indicative of weak economic conditions, which adversly affect the collectability of debtors

Finance Costs - Increase as a result of additional loans taken up in the 2014/2015 financial year.

Repairs and maintenance - In line with the conditional assessment of assets.

Contracted Services - Decrease due to utilisation of internal personnel, cost containment measures and reduced reliance on consultants.

Transfers and subsidies - Quicker that expected utilisation of grant funding by the entity of the municipality.

General expenses - Increase in mainly due AVM online vending services, audit fees, consumption expenditure and stationary.

55. Budget differences (continued)